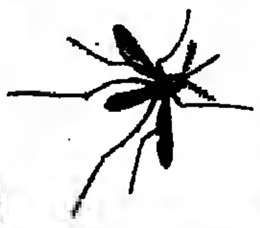
FINANCIAL TIMES

Government redefined
Why it is better to regulate than to do
Personal View, Page 12



Killing mosquitos
Artificial cow's breath and 110 volts will do it
Technology, Page 9

Ukraine
Last chance for a battered economy
Page 3

Renault and Peugeot
Should they merge or seek foreign partners?
Page 13

World Business Newspaper http://www.FT.com TUESDAY JULY 8 1997

Sharon passed over for Israeli finance portfolio

Israeli prime minister Benjamin Netanyahu appointed former justice minister and corporate lawyer Yaacov Neeman as finance minister, ending weeks of turmoil in the cabinet but leaving economists uncertain about how effective he would be. It had been widely expected that Ariel Sharon, infrastructure minister, would move to the finance job – vacant since the resignation last month of Dan Meridor after a power struggle with the prime minister. Page 14

German index breaks 4,000 barrier: The DAX index of 30 leading German stocks broke through 4,000 for the first time in electronic trading as European stocks continued to benefit from the global bull market. The enthusiasm was shown in a debut by ProSieben, the TV group, with the offer 50 times oversubscribed and the shares ending the day at DM95, well above the issue price of DM72. Page 34

US group plans cut-rate fax by internet: WorldCom International of the US will tackle the $25bn market for international fax traffic by offering cut-price transmission over the internet. The service, to be announced today and launched next month, is intended to halve the fax bills of multinationals, and when internet routing becomes widespread, to cut the cost of a New York to London fax from about 30 US cents a page via the telephone network to as little as 6 cents by internet. Page 14

Nato ponders pace of expansion: The 16 Nato countries remained divided on the eve of today's summit meeting on the extent and timing of enlargement to central and eastern Europe. The alliance, which has to take decisions by consensus, is split over plans beyond the planned incorporation of Poland, Hungary and the Czech Republic. Page 2

Travellers brace for BA strike: Passengers flying from London's Heathrow and Gatwick airports with British Airways face three days of widespread disruption from 6am tomorrow when cabin crew plan to strike. The worst-affected services were expected to be at Heathrow, where three-quarters of BA's domestic and European services and half its intercontinental flights face disruption. Page 8

Call for 'generosity' in Northern Ireland

Britain's chief minister for Northern Ireland, Mo Mowlam, left, called on Protestants to show "some generosity" and avoid "triumphalism" following the disputed Orange Order march in Portadown that touched off a night of nationalist rioting. Her statement was a clear signal that members of the fiercely anti-republican Orange Order should re-route their proposed march on Saturday through the Roman Catholic Lower Ormeau Road in Belfast. Page 8

Steep fall for UK engineering: Britain's engineering companies recorded their biggest monthly fall in production for more than a decade in May as manufacturers struggled to cope with the effects of the strong pound. The dramatic decline in engineering contributed to a seasonally adjusted 1.1 per cent fall in manufacturing output during May – the biggest monthly drop in four years. Page 8

Metro, the German retailer, and Metro Holding, its Swiss parent, plan to take full control of Makro, the European cash-and-carry group. The acquisition would create a business with about 245 stores in 16 countries and total sales of about DM40bn ($22.8bn). Page 15

Spain to name steel partner: The Spanish government is set to choose between three steelmakers, Usinor Sacilor of France, Arbed of Luxembourg and Riva of Italy, as the main partner for the privatisation of CSI Corporación Siderúrgica, Spain's chief steel producer. Page 15

Correction: Because of an editing error in yesterday's Financial Times, remarks made by Mr Edmund Stoiber, Bavarian prime minister, were wrongly attributed to Mr Theo Waigel, Germany's finance minister. Further details, Page 2

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime:		
Dow Jones Ind Av	7,914.91	(+19.00)
NASDAQ Composite	1,474.48	(+6.88)
Europe and Far East		
CAC40	2,947.86	(+13.18)
DAX	3,972.84	(+30.31)
FTSE 100	4,810.7	(-2.1)
Nikkei	19,705.17	(-262.83)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.059%
Long Bond	100⅞
Yield	6.562%

OTHER RATES

UK: 3-mo Interbank	7%	(same)
UK: 10 yr Gilt	101¾	(101½)
France: 10 yr OAT	100.69	(99.65)
Germany: 10 yr Bund	103.41	(102.91)
Japan: 10 yr JGB	104.9378	(105.123)

NORTH SEA OIL (Argus)

Brent Dated	$18.05	(18.045)

GOLD

New York: Comex		
(Jul)	$318.1	(324.2)
London:		
close	$318.95	(324.5)

DOLLAR

New York: lunchtime:		
£	1.6867	
DM	1.7510	
FFr	5.9040	
SFr	1.4515	
Y	112.775	
London:		
£	1.6846	(1.6877)
DM	1.7448	(1.7539)
FFr	5.8829	(5.9143)
SFr	1.4553	(1.4665)
Y	112.375	(113.65)
Tokyo close:	Y 112.225	

STERLING

DM	2.9393	(2.950)

EU may widen membership talks

EC says Estonia and Slovenia should be included in enlargement negotiations

By Lionel Barber in Brussels

Estonia and Slovenia should join Cyprus, the Czech Republic, Hungary and Poland early next year in the next wave of countries negotiating to enter the European Union, according to long-awaited recommendations by the European Commission.

The preliminary Commission verdict will disappoint Bulgaria, Romania, Latvia, and Lithuania, which have also applied to join the 15-member EU, though Estonia's inclusion avoids consigning the Baltic states to Russia's sphere of influence.

The Commission's recommendations are subject to a final decision by the 20-strong body of EU commissioners next week, and will be the topic of intense discussion among EU leaders, before a final decision is taken at a Luxembourg summit in December.

The accession negotiations are likely to take at least three years.

Brussels officials expressed confidence that the Commission's opinions on the merits of the former communist countries of central and eastern Europe would not be overturned on political grounds by European leaders – as occurred in the case of Greece more than 15 years ago.

The recommendations come as leaders of Nato meet in Madrid today to decide on the speed and extent of the military alliance's expansion. Nato allies have already agreed to sign up Poland, the Czech Republic and Hungary in time for the alliance's 50th anniversary in April 1999.

A spokeswoman for Mr Hans van den Broek, the EU commissioner in charge of the enlargement portfolio, insisted that there was no question of the EU offering membership as compensation to countries initially snubbed as Nato members.

She said the assessment of the 10 applicants had been conducted on "completely objective criteria" over a period of more than two years.

The prerequisites for entry include a functioning market economy, the existence of democratic institutions and respect for ethnic minorities, the ability to compete in the single market and reasonable standards of public administration.

All 10 applicants are likely to be warned that they must do more to meet the requirements for membership, and the Commission review paper offers no firm date for accession.

Cyprus has already secured a favourable opinion on its application and, thanks to Greek pressure, has won a commitment that negotiations on membership will begin early next year.

Mr van den Broek will present the recommendations on future members to the European Parliament in Strasbourg next week.

He will also offer proposals for reforming the Common Agricultural Policy and EU regional aid – the two costliest

Continued on Page 14
Nato divided, Page 2
Brussels calls for cuts, Page 24

Mexico's PRI loses control of Congress

By Leslie Crawford and Daniel Dombey in Mexico City

Mexico emerged yesterday with a new political system following mid-term elections in which the ruling Institutional Revolutionary Party (PRI) lost control of Congress for the first time in its history.

After seven decades in power, one of the world's longest-serving governing parties suffered crushing defeats in Mexico City, in the depressed economic heartland of the country, and in the important industrial state of Nuevo León.

Until yesterday, the PRI had only ever lost five gubernatorial elections in its 68-year history. But throughout the country, the ruling party suffered an unprecedented fall in its support, as opponents capitalised on widespread discontent and economic hardship created by the devaluation of the peso in December 1994 and by corruption scandals surrounding the family of former President Carlos Salinas de Gortari.

With 84 per cent of polling stations counted, the PRI had won 38.6 per cent of the national vote, against 27.2 per cent for the conservative National Action Party (PAN) and 25.7 per cent for the leftist Revolutionary Democratic Party (PRD).

Although the Senate remains in the hands of the PRI, an opposition-controlled lower house of Congress will have the power to block presidential initiatives, deny approval of the budget and start enquiries into government corruption.

But in an early sign of conciliation, the three main party leaders said the federal elections had been fair, and thanked President Ernesto Zedillo for overseeing the cleanest elections in the country's history.

"I am confident that every Mexican will be able to say that democracy has been institutionalised in our country," Mr Zedillo said.

Although there were still no official results for the composition of the 500-seat Chamber of Deputies, which is made up by a combination of direct election and proportional representation, early projections showed the PRI falling well short of the 251 seats it needed to secure an overall majority.

In Mexico City, Mr Cuauhtémoc Cárdenas of the PRD scored an overwhelming victory in the capital's first ever mayoral election, winning 47.73 per cent of the vote against 25.53 per cent for Mr Alfredo del Mazo, the PRI's candidate. The PAN scored 15 per cent, a disappointing result following a poor campaign by Mr Carlos Castillo Peraza.

The conservative party, however, did better outside Mexico City. It picked up two of the six state governorships which were being contested on Sunday, including the important industrial state of Nuevo León and the central Mexican state of Querétaro. The PRI was

Continued on Page 14

Cuauhtémoc Cárdenas, of the leftist Revolutionary Democratic Party, acknowledges victory in the first ever elections for mayor of Mexico City. The ruling Institutional Revolutionary Party lost control of Congress for the first time in its history Picture: Reuter

France and Germany in joint reassurance over Emu

By Lionel Barber in Brussels

France and Germany closed ranks yesterday to reassure their European Union partners of their commitment to meeting the budget deficit targets needed to qualify for economic and monetary union on schedule in 1999.

At a meeting of EU finance ministers in Brussels, Mr Theo Waigel of Germany and Mr Dominique Strauss-Kahn of France sought to calm fears about a possible delay to Emu if budget cuts proved too painful to implement. Mr Waigel left no doubt that Germany was committed to meeting the Maastricht treaty deficit criterion of 3 per cent of gross domestic product. "That means 3.0 per cent. Do I have to be more precise?"

Mr Strauss-Kahn avoided a commitment to 3.0 per cent in 1997. However, he made clear that the leftwing government in Paris was ready to take extra austerity measures once an audit of the public finances was published on July 21.

He warned journalists that the audit's findings would probably not be good. But ear-

Continued on Page 14
Lex, Page 14

NTT excludes Japan's brokers from bond issue

By Gwen Robinson and Gillian Tett in Tokyo

Nippon Telegraph and Telephone, Japan's largest telecommunications group, plans to exclude all four big Japanese securities companies from a forthcoming Y100bn euroyen bond issue in London, choosing instead Merrill Lynch and Morgan Stanley of the US to lead manage the issue.

NTT said the decision was made merely on price. "We had various offers made to us but the best ones were made by the two US companies," it said. However, NTT's decision, unusual for a Japanese company, was widely seen as a response to allegations of illegal trading activities engulfing Nomura, Daiwa, Yamaichi and Nikko securities companies. It follows other signs of intensifying competition in Japan's capital markets before the government's planned "big bang" financial reforms.

Business done in Japan by foreign brokerages is almost as much as that of the big four Japanese firms. Last week, a subsidiary of JP Morgan, the US investment bank, applied for a seat on the Tokyo Stock Exchange.

Tokyo Stock Exchange data show that, in the first six months of the year, the top 20 foreign brokers had a combined 27.4 per cent market share of the TSE – 10 percentage points higher than in the same period last year. The "big four" had a combined share of 31.5 per cent.

Traders say that the four big Japanese brokers could see further erosion of their share until the completion of the government investigation into the sokaiya scandal.

Nomura Securities, Japan's largest securities company, has been accused by the government of illegal payments to sokaiya, the corporate extortionists who blackmail companies by threatening to disrupt their shareholders' meetings.

JP Morgan Securities expects to start direct trading of equities from October. Since opening its Tokyo office in 1987, the broker has focused on fixed income operations, particularly bond transactions, and conducted equity business through other brokers with TSE membership.

But the company says it has seen growing interest in Japanese equities from its US and European clients. In response, it has been relocating staff from its Hong Kong office to Tokyo.

JP Morgan is the first foreign broker to gain TSE membership since Natwest Securities re-entered the Japanese equity market in January after giving up its TSE trading seat in 1993. Trading seats on the TSE are limited to 124 and competition is increasingly fierce.

Continued on Page 14
Daiwa admissions, Page 15
Investor rights, Page 20

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Nato divided over enlargement on eve of summit

By David White and David Buchan in Madrid

The 16 Nato countries remained divided on the eve of today's summit meeting on the extent and timing of enlargement to central and eastern Europe.

Senior officials were working up to the last minute in an attempt to produce an agreement before heads of state and government meet. Nato, which has to take decisions by consensus, is divided over how the alliance should approach enlargement beyond the planned incorporation of Poland, Hungary and tha Czech Republic.

France was insisting that Nato should not go ahead with inviting the three central European countries without a discussion on the possible inclusion of Slovenia and Romania. It was not expected to block an enlargement decision.

As many as eight other members including Italy and Spain have also favoured extending invitations to Slovenia and Romania, despite the clear US stance they should be left out of the initial invitation.

"The decision is not yet taken," a Nato official said. However, be added that heads of state and government were certain to agree today to invite "at least three countries" to open formal accession negotiations.

Accession talks sbould be completed by December, the official went on, to allow time for parliaments to ratify the enlargement and for the new members to take their seats in 1999, when Nato plans to review tha process at a 50th anniversary summit.

He indicated the alliance would only then start thinking about the "second wave" from tbs dozen applicants from central and eastern Europe.

It was vital that the first enlargement sbould be a success. If not, there was a risk that the process would go no further.

However, "a strong, clear statement" was needed from Nato leaders on the alliance'a "open door" policy towards otber candidate countries. It was still unclear last nigbt whether this would specify any countries or a timetable. France is pressing for a specific commitment.

Empbasising that enlargement would not be a "one-sbot operation," the Nato official said some of the countries whicb were not being invited at this stage had coma close to the criteria for joining Nato.

The alliance needed to encourage these countries to continue with reforms and to intensify co-operation in the newly created Euro-Atlantic Partnership council.

Nato is meanwhile boping to stage the first meeting of the Nato-Russia Joint Council on July 17. The council was set up under the May agreement between Nato and Moscow to ease Russian concerns about being excluded from western security arrangements.

Albanian Socialists triumph

Unofficial results show left set for two-thirds majority

By Guy Dinmore in Belgrade

Poised for victory: Fatos Nano casts his vote on Sunday AP

Albania's Socialist party appears set to return to power with a two-thirds majority in parliament, enough to write a new constitution and remove President Sali Berisha.

There were no official results yesterday from run-offs held in 34 constituencies on Sunday but western election monitors said it seemed the Democrats had lost all of the capital Tirana and had won only seven constituencies in the second round of voting. Another round of voting may be held next Sunday in a few constituencies.

According to unofficial and incomplete results from the first round of voting on June 29, the Socialists, the reformed communists, had already won more than 80 of the 155 seats in parliament. Their centre-left coalition allies also woo several seats.

Mr Fatos Nano, a former Marxist economist and deputy prime minister under the last communist regime in 1990, said on Sunday he would be the prime minister of a Socialist coalition governmant, with the Social Democrats and Democratic Alliance. He expected it to have a two-thirds majority.

The Socialista' campaign includad commitments to continued market reforms and a change to a parliamentary system, with fewer powers coocentrated in the hands of the president.

A leading casualty of the Socialist landslide was the Democratic party chairman, Mr Tritan Shehu, who announced yesterday be was quitting after losing his seat in the central town of Kavaje on Sunday.

The Organisation for Security and Co-operation in Europe (OSCE), which monitored both rounds of voting, declared the elections basically acceptable in spite of some violence and intimidation.

A Socialist electoral officer was killed and several people injured on Sunday when a gunman opened fire in a polling station in the northern town of Shkoder. A Democratic party official was killed in the first round of voting near the southern town of Fier.

The pro-Berisha newspaper, Albania, said the president was against accepting the results of the elections beld in the tbird of the country controlled by southern "rebel committees" allied to the Socialists.

Several western leaders telephoned Mr Berisha last week to tell him to "stop interfering" with the tallying of first round results. "Wa are not convinced his antics are over," one OSCE official said.

Mr Berisha, who came to power in 1992, agreed to hold early elections when Albania descended into anarchy last March following the collapse of fraudulent pyramid savings schemes in which many Albanians lost their life's savings. Mr Berisha said last week he would resign once a new Socialist government was formed.

EUROPEAN NEWS DIGEST

Italy sends army to Naples

Italy plans to send 600 soldiers to the crime-ridden southern port of Naples later this month to help police battle a wave of mob violence which has swept the area since the start of the year. Mr Giorgio Napolitano, interior minister, said the troops would take over routine guard duties around the city, allowing hundreds of extra police officers to be redeployed in the battle against organised crime.

Mr Napolitano said on Sunday that the centre-left government would decide this week on the exact nature of the planned operation, stressing it would be "limited and targeted". Interior ministry officials said that around 600 troops would be drafted into tha area but Mr Beniamino Andreatta, defence minister, said many more soldiers might be needed.

Some 85 people have been killed and dozens injured over tha past six months as the Naples mafia, known as the Camorra, wages a ruthless war for supremacy within the fragmented organisation.

The feuding has often spilt over into the streets and there was public outrage month after a young woman, walking home with her six-year-old son, was killed by a stray bullet during a mob attack in central Naples. The decision to call in the army came after another weekend of terror, in which two suspected mobsters were killed in broad daylight. *Reuter, Rome*

Economists question growth

The head of the German economics research institute DIW has said the government's forecast that gross domestic product will grow 3 per cent next year is unrealistic and that it should admit that Germany may not be able to meet the Emu criterion limiting the budget deficit to 3.0 per cent of GDP.

"I don't know where the 3 per cent growth is expected to come from next year," Mr Lutz Hoffmann told the newspaper Welt am Sonntag. Investment and private consumption remain weak and "even with export growth of 10 per cent, overall economic growth will hardly be above 2 per cent," he said.

"In order to reach growth of 2.5 per cent and more, consumer demand must rise sharply. But that will not be the case in either 1997 or 1998."

Asked whether the government should admit the deficit criterion may not be met, Mr Hoffmann said: "Yes. But the government is still obviously convinced it will be able to keep the deficit down to 3.0 per cent. The question is simply how that can be done." *AFX, Frankfurt*

Turkish PM sets out agenda

Mr Mesut Yilmaz, the new Turkish prime minister, yesterday pledged to boost secularist education in a keynote speech that set out his anti-Islamist policies. "Our nation does not want to go through the hardship it went through in the previous period," Mr Yilmaz told parliament. Mr Yilmaz, a conservative, took office last week to replace Mr Necmettin Erbakan who resigned under army pressure after a stormy year as Turkey's first Islamist prime minister.

Mr Yilmaz said his left-right coalition would curtail the next generation of Islamists by extending primary education at the expense of religious schools. "Eight years of uninterrupted, obligatory education will be put into practice," he said. Turkish children spend five years in primary schools after which they can enroll in Islamic schools. Islamists fear that plans to increase the period of basic education would force the closure of religious schools, which have grown in recent years but are still in the minority. The army's demands to extend secularist education were one of the main causes of a row over Islamist activism between the previous government and the powerful generals. *Reuter, Ankara*

Spanish Legion breaks out

Nato allies, awaiting the incorporation of Spanish soldiers into their military organisation, were yesterday regaled by the latest exploits of the Spanish Legion, an élite body being trained as the spearhead of the country's rapid deployment forces.

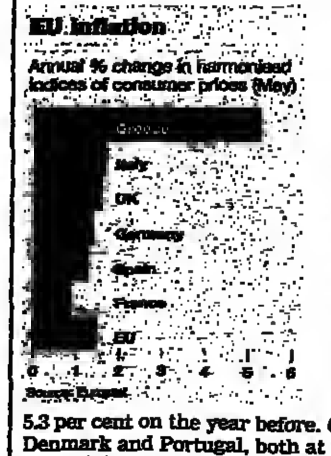
Tha daily El Mundo, disclosed how a small detachment absented itself from a Legion exercise and took off with an armoured personnel carrier to capture a brothel. The incident, near a big training ground in the Zaragoza region, cama as tha men's regiment was preparing for a tour of duty in Bosnia.

The disclosure came at a particularly embarrassing moment for the government, set to confirm its plans for joining the military mainstream of Nato at the alliance summit starting today. The Legion, once commanded by General Franco and which still uses the motto "Long live death!", has been trying to overcome its traditional swaggering image. *David White, Madrid*

European inflation steady

EU inflation

Annual % change in harmonised indices of consumer prices (May)



Source: Eurostat

The European Union's annual inflation rate remained steady at 1.5 per cent in May, unchanged from April and down from 2.6 per cent a year ago, according to Eurostat, the EU's statistical office. The lowest rates were in France and Finland, where the consumer prices index rose 0.9 per cent year on year and in Luxembourg, where inflation stood at 1.1 per cent. The highest rate was in Greece, where consumer prices were up 5.3 per cent on the year before. Greece was followed by Denmark and Portugal, both at 1.9 per cent. The figure for the US was 2.2 per cent and for Japan 1.9 per cent, although the statistics are not strictly comparable.

■ Finnish industrial output rose 3 per cent in 1996 from a year earlier.

CORRECTION

Emu comments clarified

On yesterday's front page, the Financial Times wrongly attributed remarks made by Mr Edmund Stoiber, the Bavarian prime minister, in a Financial Times interview to Mr Theo Waigel, Germany's finance minister.

Mr Stoiber made clear he expects Germany's EU partners to meet the 3.0 per cent criterion for Emu.

"The Bundestag and Bundesrat (the two houses of parliament in Bonn) must give an evaluation next year as regards the stability of other countries," the Bavarian prime minister said. "That means – leaving aside any exceptional factors – that we will not have 3.0 per cent for one, 3.5 per cent for another and 3.8 per cent for a yet another."

"A controlled delay [to Emu] would certainly be better than a weak European currency," Mr Stoiber added. "Controlled delay would mean holding to the goal of the euro and holding firm to the criteria so we have a controlled step by step approach to reach these within a strict time frame." In this way, Emu could perhaps start "on January 1 2000 or 2001" rather than with the planned start of 1999, Mr Stoiber said.

Emu may lead to profit margin squeeze

Consumers are expected to demand price cuts to the lowest level for goods within Europe

Preparing for Emu

Bankers and business consultants are alarmed by the failure of many companies to start strategic preparations for the single currency, expected to have a profound impact on prices and profits.

Most corporate preparation is currently geared towards administration and computers. But while this is considered essential, little attention is being paid to the way the single currency will affect strategy. Experts are predicting that companies will re-evaluate their relationship with suppliers, and may choose the lowest prices prevailing in the EU. This is bound to put pressure on profit margins.

Mr Michael Littlechild, partner in KPMG Management Consulting, said: "The introduction of the euro will mean price transparency in the eurozone and is likely to lead to intense buyer pressure on vendors to fix a common price between member states. But – and tbis is what many companies have yet to grasp – price transparency means that, unlike the experience of the UK at decimalisation when prices rose, Emu will actually force price down towards the lowest."

Price harmonisation to the lowest common denominator is expected to occur in a large number of sectors, especially banking and financial services, cars, chemicals and pharmaceuticals, and the retail industry.

Mr Mike Gardner, senior partner in Ernst & Young in London in charga of Emu preparations, said "some companies are looking at pricing policy. I heard that the pharmaceutical industry is looking at how tbey deal with individual pricing in Europe. At the moment, they can segment the markets, when the euro comes in that will be difficult. So they are looking at a single European price."

Such pricing behaviour would corroborate the view expressed by some economists that the euro – even a so-called soft euro – could prove deflationary. "I have talked to a few companies over tbe past weeks wbo assume prices are likely to fall to the lowest levels they are charging in Europe," Mr Gardner said.

The main force towards single pricing is the sudden increase in price transparency, once national currencies are replaced by the euro. Consumers find it easier to detect price differences across borders. Magazine advertisements will act as an important source of information, as well as a mechanism towards price harmonisation.

The main force towards single pricing is the sudden increase in price transparency once national currencies are replaced by the euro

Mr Ian Richardson, deputy director of commercial banking at Barclays Bank, said that "margins which fed an inefficient operation will dwindle, and inefficient operations will be taken over by more efficient operations. This is inevitable."

This development is bound to affect companies across the EU, irrespective of whether their countries join in the singla currency or not. The trend towards single pricing means a British or Swedish supplier will no longer be abls to engage in differential pricing with customers in Emn countries. There will also be pressure from inside their own industry, as competitors charge lower prices.

The banking and financial services sector is expected to be affected early because Emu involves a change of money. Several companies report that they might use the euro to reduce the number of banks they are dealing within inside the EU.

In tbe retail industry, where national price differences are immense, pressure is also likely to increase. Mail order companies are almost certain to exploit price differences and can be counted on to act as ruthless price arbitrageurs, eager to exploit overpricing by traditional retailers.

Direct mail companies bave a further advantage because they charge value-added tax at the rate of their home country, so customers based in countries with high VAT rates could choose to bny goods from mail order companies based in low-VAT countries.

Price harmonisation will particularly affect suppliers, such as car component makers, which operate across borders, leading to some re-organisation of supplier relationships.

Mr Littlechild said suppliers can currently afford to charge differant prices because of the currency risk. "But once there is a common currency, that could well change.

"In addition, there is likely to be a snowball effect, in which the most powerful members of the supply chain force all the other members to follow suit in finding low price vendors, driving price equalisation further along the supply chain."

Pricing harmonisation is thought to have its limits. In tha absence of direct mail, consnmers are unlikely to travel long distance to make savings, and there remain snbstantial differences of taste across Europe.

Price differences also exist across the US, though to a much lesser degree than in the EU.

Price harmonisation, however imperfect it may turn out to be, will put pressure on margins and ultimately on earnings. But falling margins and earnings are likely to hit European companies unevenly. Some will be caught by surprise, others will have positioned themsalves in advance to take advantage of the new commercial opportunities offered by tha single currency.

The EU economy as a whola stands to gain, bnt there will be many winners and losers. Mr Richardson of Barclays warns that "this is excellent in the long run but it could be unpopular".

Wolfgang Münchau

Emu 'boost for Bosch'

Germany's big companies auch as Boscb and Bayer stand to gain perhaps more than anyone from the single European currency. Thay view Emu as a strategic opportunity that sbould give fresh impetus to business in what for many of them is their biggest market.

"Emu will accelerate this," said Mr Manfred Gentz, chief executive officer of Daimler-Benz. This is a popular refrain in German industry.

"The European single market needs completion by a single European currency," said Mr Heinz-Walter Kohl, head of corporate finances at Bayer. "Otherwise wa in Europe will be far behind the US." He estimates Emn could save Bayar up to DM50m ($28.5m) in currency exchange costs each year.

Germany's companies are perhaps more sensitive than most to the pain fluctuating exchange rates can cause. Many were hit by the appreciatioo of the D-Mark earlier this decade, which made their exports more expensive in foreign markets. "European companies will become more competitive by removing the wasteful volatility of exchange rates," Mr Gentz declared.

Daimler thinks Emu will have important strategic implications for its business. Decisions taken on the basis of exchange rate flexibility in Europe could now be reversed, Mr Gentz adds. For example, the relative benefit of purchasing supplies from companiss in other European countries might now be diminished because it would be cheaper to use suppliers in Germany nearer Daimler's factories.

Bosch began thinking about the impact of the euro a year ago and has, like Bayer and Daimler, set up a special working group, now considering the strategic implications. But, says Mr Harald Margreiter, who is leading Bosch's Emu group, "we have no full answer to these questions yet".

Bosch thinks the most obvious strategic effect will be on its pricing and sales, since the single currency would reduce companies' ability to charge different prices for their goods in different countries.

"The euro will increase pressure in the industry for lower prices because it will be easier for people to compare euro to euro rather than, say, pound to D-Mark," said Mr Frank Hecker, who works in Boscb's Emn group.

German companies are grappling with the question of when to introduce the euro as an internal accounting currency. Bosch said it would be ready by January 1999 to offer customers their bills in euros, and to receive bills from suppliers in euros. But it is unlikely to begin its financial reporting in euros at the same date.

Daimler-Benz has decided to be ready to handle the euro both internally and externally from the beginning of Emu, but Bosch thinks it better to wait, especially since the company is preparing its computers for the change-over to the next century.

Anothar reason for Bosch'a delay, Mr Margreiter said, was the uncertainty over the legal framework for the euro, since companies in Germany are still required to produce their financial statements in D-Marks.

But many companies have invested heavily in preparing for Emu, one important reason why they want the single currency to go ahead. Bosch puts the cost of preparing for Emu at more than DM50m; Bayer puts its costs at DM60m-DM80m.

German companies are also aware of the costs if markets react adversely to an Emu delay. "The D-Mark would rise, and all the fluctuations in exchange and interest rates would begin again. That would be expensive for German companies," Mr Margreiter said.

Graham Bowley

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850. Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

R

NEWS: EUROPE

Kiev plans international bond debut

By Chrystia Freeland, recently in Kiev

Ukraine plans to follow a flood of countries, cities and companies from the former Soviet bloc and launch its first international bonds this autumn.

The Ukrainian economy, which has contracted by more than 50 per cent since tha collapse of the Soviet Union, continues to shrink.

But the authorities in Kiev are hoping that the sustained etabilisation of Ukraine's currency, the hryvnia, and the government's success in bringing inflation down to 5.3 per cent in the first six months of this year, will attract international investors.

Ukrainian officials estimate that some $2bn worth of foreign capital is already invested in the high-yielding domestic bond market.

According to Mr Serhii Tihipko, deputy prime minister responsible for economic reforms, Ukraine hopes to issue samurai bonds in Japan in September, with Nomura as lead manager.

In October, Ukraine plans to launch a eurobond with Deutsche Bank as lead manager. Mr Tihipko said in an interview that Kiev was hoping to raise between $700m and $1bn with the two issues.

The success of Ukraine's eurobond debut could be influenced by this week's talks with the International Monetary Fund. Kiev has not received any money from the IMF this year because of parliament's failure to ratify the 1997 budget until late last month.

Now that the budget has been passed, an IMF mission has travelled to Kiev to negotiate a $1.8bn, three-year extended finance facility loan.

However, Ukrainian ministers feared that Kiev's failure to meet all the pre-conditions set by the fund – particularly the government's inability to push a tax-cutting package through parliament – might mean Ukraine would have to settle for a one-year stand-by loan instead.

"The International Monetary Fund accepts that we are moving ahead, but the question is have we made a cardinal change," said Mr Yuri Yekhanurov, minister for the economy. "I sometimes have the feeling that we are like a figure skater stuck in compulsory figures but who can never break through to the freestyle numbers."

Ukraine's reformist economic team said it would push for a three-year loan because of the signal an IMF deal would send to the capital markets, rather than because of pressing public financing requirements.

"I am not too concerned ebout this with respect to the public finances. After all we have survived for six months without external funding," Mr Ihor Mitiukov, the finance minister, said. "But the IMF decision is a signal which will help to determine our credit rating and our cost of money."

Mr Ihor Mitiukov, finance minister, said that in discussions with the IMF, the government was exploring whether it would be possible to postpone some of the loan pre-conditions until the antumn, when the legislature will return from its summer recess.

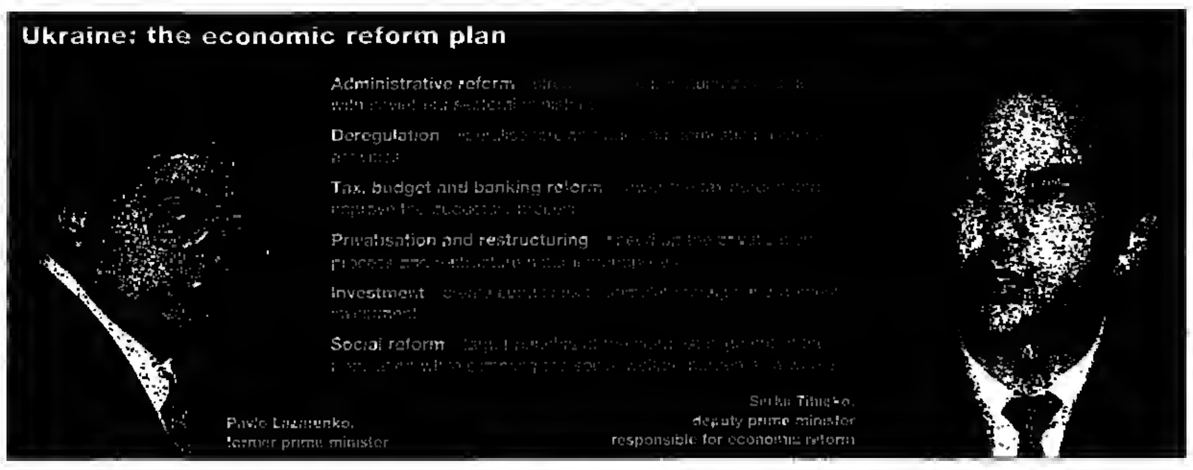
Another option, he said, would be to negotiate a one-year loan this summer, and then to shift up to a three-year loan *later* in the year after the conditions had been met.

Chink of light in bleak Ukraine economy

Prime minister's departure has brought slim hope of change. **Chrystia Freeland** reports

According to the Primary Chronicles, the ancient records of the Kievan Rus state, the tribes living in the middle ages in what is now Ukraine so despaired of their own chiefs that they invited a family of Viking princes to "come and rule over us".

Over the past six years, as Ukraine has made its most sustained bid for independence since the 17th century, Ukrainians have had many reasons to share their ancestors' frustrations with the quality of Kiev's homegrown leadership.



Since it gained sovereignty, the Ukrainian economy has contracted by a huge 54 per cent, victim of authorities which have often seemed more concerned with fattening their own purses than with shepherding the country into capitalism. Wage arrears have mounted and hundreds of factories have been pushed to the brink of bankruptcy while e tiny elite, inside the government or closely connected to it, has grown fabulously wealthy.

But last week brought a slim hope of change, following the resignation of Mr Pavlo Lazarenko, the prime minister. In just over e year as cabinet chief, Mr Lazarenko had become a symbol of everything wrong with government, Ukrainian-style. In areas ranging from the grain market to the energy sector, the eastern Ukrainian former collective farm boss was accused of sacrificing the wellbeing of the nation on the altar of his business cronies' interests.

"Ukraine, perhaps, does not understand the evil which has been everted," said Mr Yevhen Kushnarov, the president's chief of staff. "If things had gone on in this way we could have lost all ideas of honesty, of state honour. A few people became fantastically rich, to the detriment of everyone else."

Mr Lazarenko's departure was also welcomed by western governments, particularly the US, which sees an independent and economically prosperous Ukraine as vital to the post-cold war security of Europe. This spring, the US aggressively and publicly took Ukraine to task for its poor reform record. One cabinet minister said that the White House privately told Mr Leonid Kuchma, the Ukrainian president, thet his premier must go.

But while it may have been pressure from the outside which tipped the scales against Mr Lazarenko, the reformist camp in Kiev was delighted by his departure and is now hoping the cabinet shuffle has brought one last chance to revive Ukraine's economy.

After years of squabbling and disorganisation, a young, professional team of reformist ministers has crystallised in the Ukrainian cabinet. Spearheaded by Mr Serhii Tihipko, a former commercial banker who was recently eppointed deputy prime minister for economic reform, the group has drafted a week-by-week reform programme which emphasises deregulation, restructuring of Ukraine's bloated bureaucratic machine and accelerated privatisation. Summed up on a single sheet of paper which reformist ministers brandish like some sacred relic, "the plan" is the most coherent, pragmatic reform agenda Ukraine has produced.

Along with Mr Tihipko, the nucleus of the reform team consists of the ministers of finance, the economy and justice and of Ukraine's tough central bank chairman. Most of these ministers have only been in office for a few months and, with Mr Lazarenko gone, they have already begun a strong push to implement their programme.

Their initiatives include:

- an effort to slash the number of business licences from 87 to 34;
- the introduction of a tender system for all state contracts over about $5,000;
- a cut in the number of ministries and state committees from 97 down to 15;
- the direct distribution by the treasury rather than by individual ministries of state funds.

The aim of all these changes, is to liberate Ukraine's struggling but entrepreneurial people from the manacles of a corrupt, expensive and intrusive bureaucracy.

"The most important thing is for apparatchiks to understand their job is to support business, not to kill it," explained Mr Yuri Yekhanurov, economy minister. "More than anything else, I see my job as being a lobbyist for small business."

The good faith of reformers like Mr Yekhanurov – who serves visitors coffee in the ceramic cups which his factory-worker sister receives in lieu of salary as a physical reminder of the country's economic hardship – is not in doubt. But they face formidable obstacles.

Ukraine's economy is still shrinking, parliament's rejection of many of the measures in a tax reform package last month means the tax burden remains prohibitive for many businesses and, after years of half-measures, the patience of the IMF and Ukraine's long-suffering citizens is wearing thin.

The political challenges are equally daunting. As Mr Tihipko explained in an interview, "the plan" stands a chance only if Mr Kuchma, the president, stands firmly behind it and appoints a like-minded prime minister. But the president'e political choices have been complicated by upcoming elections – next spring for parliament and in summer 1999 for the presidency. Fears that parliamentary elections could distract the nation from difficult reforms have already prompted Mr Kuchma to propose a constitutional amendment extending the legislature's term by a year.

Worse yet, over the past few days Mr Serhii Holovatyi, justice minister and one of the most progressive figures in the cabinet, has become the target of a witch-hunt by conservatives in the securities forces and the government. The ouster of Mr Holovatyi, who is spearheading Kiev's anti-corruption drive, would be a worrying signal that the departure of Mr Lazarenko may not necessarily usher in a new, reformist era.

And that, many Ukrainians argue, would be a disaster. Kiev's dismal economic record has already brought pain to millions of ordinary Ukrainians. But politicians such as Mr Kushnarov, the president's chief of staff, warn that unless rapid reforms begin now, continued economic decline could provoke "bloody" clashes between the pro-western central and western regions of Ukraine and the pro-Russian east. Unless Kiev makes some progress soon, they fear, many Ukrainians might yet again look for leaders beyond their country's borders.

Jospin faces tough fight to meet pledges

Thera will be no long snmmer holidays for France's newly-elected leftwing government. A little over a month after the general election on June 1, Mr Lionel Jospin, the prime minister, has found himself facing a heavy workload in his efforts to meet his campaign pledges.

He has promised to introduce at least 20 laws during the next session of the National Assembly, which reconvenes in September. During the autumn, he plans his first announcements on the creation of up to 700,000 jobs, and talks with employers and unions to discuss salary increases and working-hour reductions.

For a man whose Protestant-style work ethic appears to be matched by a reputation for integrity – an important element in his election victory – Mr Jospin's actions so far have been consistent with his manifesto. They have also been largely symbolic and cheap to implement.

He persuaded his EU partners to place greater emphasis in theory on job creation in preparations for the euro. And he has met his commitment in an electoral pact with the Green party by confirming the closure of the Superphénix nnclear fast reactor, and the abandonment of the controversial Rhone-Rhine canal project.

Concrete policy proposals have so far been more limited. The few exceptions unveiled in his first address to parliament last month largely reflected his background as a former education minister. He stressed the need for teaching civic values in the classroom, and raised family and school allowances as well as school meal support for those on low incomes.

Speaking on national television late last week – his first significant media appearance since his victory – he defended his approach, arguing the electorate was less impatient for reforms than it was eager for lucidity, clear priorities and "a language of truth".

For some, the relatively slow start reflects the fact that few – arguably least of all many Socialists – expected a leftwing victory. The party, firmly under Mr Jospin's grip since his creditable presidential election score in 1995, was still developing its policies when snap elections were called.

It is caught between the need to define a ideological approach which *clearly* distinguishes it from the centre-right Gaulliets while attempting to be realistic and not alienate the financial markets or jeopardise European monetary union.

The ambiguity of this position has been made all the more sensitive by the results of voting, which has awarded the balance of power to the Communist party, and created strong opposition to reform of the public sector.

The tensions within the coalition have already been put to the test with the confirmation last week of the closure of the Renault's Belgian car plant.

Mr Jospin, under criticism from his own allies, argues that he only ever promised to re-examine the case, not to intervene in the decisions made by e company no longer under state control.

But the greatest difficulty is his heavy inheritance. There are more than 3m unemployed, a public-sector deficit likely to be too high to allow France to qualify for entry into the single currency, and fears that any initiative to raise taxes could pnt a further brake on growth.

Mr Jospin has already hinted – in spite of his campaign pledges to the contrary – that privatisations may take place. Notably, in his television interview he questioned whether the state has the duty endlessly to eupport financial institutions in difficulty.

He told his interviewers: "The fundamental question is: Am I true to my engagements on employment, the fight against inequalities, the rehabilitation of Republican rules?"

If be could achieve progress in these areas, his recent rise in opinion poll ratings could well continue. But the political obstacles ahead will not be easy, and the economic price could be considerable.

Andrew Jack

Italian insurer opens archives of Nazi victims

By Avi Machlis in Jerusalem and Norma Cohen in London

Assicurazioni Generali, the Italian insurance company, yesterday published advertisements in Israel'e three biggest daily newspapers announcing the opening of its archives to heirs of former policyholders murdered by the Nazis during the second world war.

It is the first time Generali has formally admitted to owning a warehouse in Trieste which holds documents of perhaps tens of thousands of life insurance policies never paid out because the beneficiaries were unable to claim them.

Last October Generali issued a formal press statement denying it held documents relating to Czech claimants. It maintained its assets in eastern European countries were nationalised after the second world war and it had no legal obligations to pay out on policies. However, at least one country, the former Czechoslovakia, agreed to compensate the Italian government for businesses expropriated by the Communist regime.

Following its purchase of Migdal, the Israeli life insurer, Generali has been under pressure from relatives of Holocaust victims to pay out claims and open its files. After a threat of a boycott the company announced last month it would contribute $12m to a fund over 12 years which it said would make "ex gratia" payments to families of policyholders.

Meanwhile, Switzerland's Holocaust memorial fund will make e first payment of SFr17m ($11.6m) to Jewish Holocaust survivors, mainly in eastern Europe, Swiss radio reported on Monday.

The panel's seven-member executive board made the decision at its inaugural meeting in Berne, a government official confirmed.

The panel has been under pressure to make speedy payouts since Holocaust survivors are averaging 80-years-old and many risk dying before being able to benefit from their compensation.

"We want to discuss today a fast-track process to be able to make the first payments as quickly as possible but still in a controlled manner," Mr Rolf Bloch, chairman and head of the Swiss Jewish Federation, eaid. "The issue is not opening an office, but providing aid quickly."

He did not eay which groups might get part of the SFr160m in donations already paid by private businesses eager to bolster Switzerland's image amid foreign criticism that it profited from the second world war.

Panel members have cited the special plight of Holocaust survivors in eastern Europe, known as double victims for their inability to get compensation during the cold war for their suffering during Hitler's eystematic murder of 6m Jews.

● The Bank for Internstional Settlements yesterday announced that from today its major war documents will be available "to researchers for consultation".

The BIS has been accused of assisting Nazi plunderers to benefit from gold and other assets stolen from victims and used for personal gain or for the aid of the Nazi war machine.

The documents, which may only be viewed on the BIS's premises in Basle, include key papers relating to the BIS gold operations, correspondence with the German Reichsbank, records of gold deposit accounts and personal diaries.

Bulgarians aim their six-shooters at graft

PM sees his cabinet as cowboy heroes fighting bandits. **Kerin Hope** and **Theodor Troev** report

Mr Ivan Kostov likes to compare his reformist Bulgarian cabinet with the determined gunmen who drove out a group of bandits preying on a Mexican village in the classic film, "The Magnificent Seven".

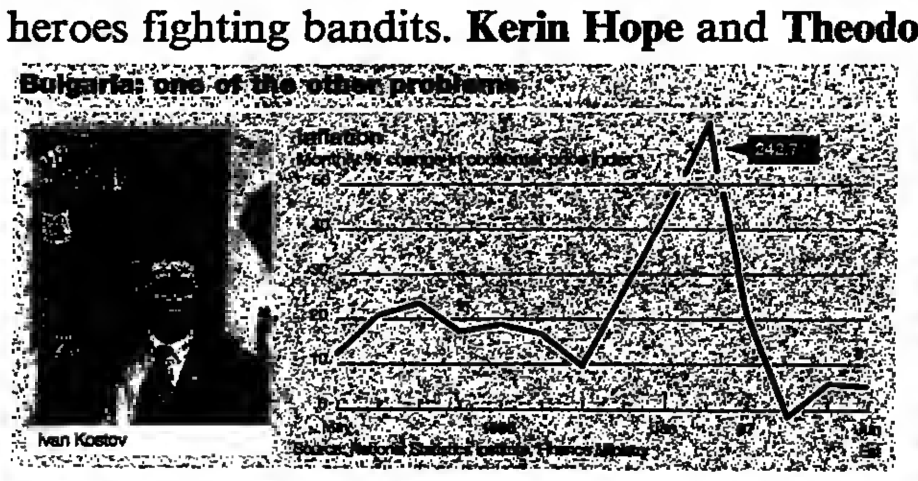
The bandits in this case are *moutri*, local racketeers whose activities have elowed Bulgaria's economic transition by terrorising small businesses and forming alliances with dubious holding groups thet have gained control over the past seven years of an estimated 40 per cent of the economy.

The prime minister says his weapons in the fight against organised crime will be tight policing backed by new legal measures "so thet we can enforce the rules of the market economy and eliminate those created by these shady groups that use force and have become entrenched in the financial and banking systems, in farm commodities and exporting".

The anti-corruption drive was launched under a pro-market caretaker government shortly before Mr Kostov's Union of Democratic Forces defeated the ex-communist Socialists in a general election in April. It has gathered pace as Bulgaria has come under pressure to improve fiscal controls with the assistance of the International Monetary Fund and other agencies.

In return for some $1bn to support a faltering balance of psyments, Bulgaria last week launched a restrictive currency board system. The lev is pegged to the D-Mark and money supply will be limited to the level of foreign exchange reserves, currently about $1.3bn.

Sweeping structnral reforms include a fast-track privatisation programme for banks and big industrial companies, and massive lay-offs of public sector workers. The aim is to contain inflation at 2-3 per cent monthly and reduce the budget deficit to 6.2 per cent of gross domestic prodnct this year.



However, the softly spoken Mr Kostov, a lawyer and former finance minister, is reluctant to talk about the half dozen big holding groups suspected of involvement in smuggling, racketeering and other illegal activities that deprive the government of revenue.

He says: "I think the important thing, like in the film, is that people shouldn't be afraid of them any longer." Critics of government policy say the anti-corruption drive has become an excuse for wide-scale dismissals of managers and administrators without ties to the UDF.

One banker said: "Despite the big words, we haven't seen any attempt to go after even one prominent executive associated with the holding groups. And there are persistent reports that UDF deputies and government officials haven't severed their ties with these people."

The prime minister argues that regulatory reforms are more likely to prove a more effective way of reducing crime.

A new law reforming the insurance industry, the main cover for protection rackets, is intended to boost revenues by "allowing companies to stop paying a big piece of their income to the shady groups and start paying taxes to the state," he says.

The emblems of many of Bulgaria's 100-odd insurance companies are prominently displayed on car windscreens and shop fronts around Sofia. A foreign businessmen said: "The practice has been for your company lawyer to cut a deal with a big insurance company. If you delay or quibble about the price, the *moutri* are likely to make your car disappear."

The minimum capital requirement for an insurance company has ben raised from Lev200m ($115,000) to Lev3bn ($1.7m) and insurers are banned from running security operations.

Mr Kostov says the government has also tightened controls on local police and customs officers to prevent a repetition of last year's "massive illegal exports of wheat bought at cheap prices by racketeers from frightened farmers".

Hun Sen rival threatens guerrilla war

By William Barnes in Bangkok

Cambodia's former communist leader, Mr Hun Sen, won control of the capital Phnom Penh yesterday after forces loyal to his rival co-premier, Prince Norodom Ranariddh, slipped away from their main base on the western outskirts of the city before dawn.

Prince Ranariddh vowed yesterday that the coup would be vigorously opposed and warned of a possible guerrilla war. "Today, alas, we must again speak of resistance and civil war," he said in France, where he fled on the eve of the fighting.

An emergency session of the Association of South East Asian Nations, which is due to admit Cambodia as a full member later this month, is to to be held on Thursday to discuss the crisis.

Prince Ranariddh said he believed that "the international community will move in the right direction by making Hun Sen understand that a regime resulting from a coup d'état is not acceptable."

Mrs Madeleine Albright, the US secretary of state, reacted carefully last night by calling on all sides to solve their disputes by "peaceful means".

Over the weekend Prince Ranariddh said that his royalist Funcinpec party might end up waging a guerrilla war against Mr Hun Sen's Cambodian People's party. "The resistance will be organised inside and outside Cambodia," he told the French newspaper Le Monde.

This would mean a return to the hostilities of the 1980s, when Funcinpec lined up with the Maoist Khmer Rouge guerrillas to oppose Mr Hun Sen's governmemt, which was installed by Vietnam in 1979. Vietnam withdrew from Cambodia with the end of the cold war, paving the way for the international community to broker free elections – which left the CPP with its heavy military advantage intact.

At least a dozen people were killed and scores wounded after Mr Hun Sen's fighters fanned out across the city on Saturday determined to disarm or arrest Funcinpec troops.

Yesterday, his victorious soldiers went on a looting spree that stripped the airport of much of its equipment – including its X-ray machine – and left many of them drunk on duty-free liquor.

Troops were seen driving off in new cars or carrying television sets taken from warehouses along the airport road.

The trigger for the coup was Prince Ranariddh's attempts to try to negotiate the surrender of what is left of the Khmer Rouge guerrillas – but excluding its reviled leader Pol Pot.

One of Hun Sen's soldiers near the front line in Phnom Penh yesterday

Mr Hun Sen used a radio broadcast on Sunday night to declare that the "traitor and thief" Prince Ranariddh would be persecuted if he tried to come back to Phnom Penh. He announced that the job of first prime minister was now vacant.

Mr Hun Sen flatly rejected King Norodom Sihanouk's call from Beijing for both sides to lay down their weapons and negotiate.

Japan voters go for 'clean' communists

By Bethan Hutton in Tokyo

Japanese voters, tired of the corruption and confusion of mainstream politics, are turning to the one party with a consistent set of principles and a clean image: the Japan Communist party.

In elections for the Tokyo Metropolitan Assembly at the weekend, the Communist party doubled its strength to 26 out of 127 seats, beating its previous record of 24 seats in 1973. It leapt from fifth to second biggest group in the assembly, after the conservative Liberal Democratic Party with 54 seats.

The Tokyo poll is seen as an early indicator of national voting trends for next summer's elections to the upper house of parliament.

Analysts say the results reflect voters' inability, or unwillingness, to distinguish between the rash of new parties which have sprung from the LDP and the former Socialist party.

Although they fielded 137 candidates, more than half the total, the new parties and independents won only 23 seats, or 18 per cent. Voter apathy, intensified by a heatwave, reached record levels: turnout was the lowest ever for a prefectural assembly election, at 40.8 per cent.

Mr Kazuo Shii, JCP secretary-general, said people voted communist because it had become the only genuine opposition party. The Social Democratic Party, formerly the Socialist Party, which is part of a ruling coalition with the LDP, was virtually wiped out in Sunday's election.

Communists did best in areas where alleged corruption or misuse of public funds were an issue, because they are increasingly seen as the only party with genuinely clean hands: they have never held real power, so have never been corrupted.

The JCP has been gaining strength for some time. The red flag now flies over three of Tokyo's mayoral districts, and communists are the fourth largest grouping in both houses of parliament.

Mr Shigenori Okazaki, political analyst at SBC Warburg in Tokyo, says this trend may have deeper roots than the last communist resurgence, in 1973, which was fairly short-lived.

"This time, I think we are seeing a more mature trend: not a one-time boom, but a well-thought out attitude," he added. However, the communists' position might not remain unchallenged.

"In the past, when the Communist party did well, there was a new alternative quickly presented to the voters, so in the following election they always moved away from the Communist party. Probably by the next upper house election, we will see a new party or coalition."

> 'Japan's Communist party has never held real power... therefore, it has never been corrupted'

There has been talk of a possible alliance along the lines of Italy's left-of-centre Olive Tree Coalition, involving the SDP, the Democratic Party of Japan, another offshoot from the defunct Socialist party, and possibly some members of the New Frontier party.

The communists have so far stayed aloof from all alliance-building attempts. This may be wise. If voters are really becoming disillusioned with the constant stream of new parties and unlikely coalitions, the JCP could do better alone than in a more coherent left-of-centre opposition grouping.

Tokyo: who runs the city

Seats	Before	After
Liberal Democrats	38	54
Japan Communists	13	26
Komei	25	24
Democratic Party of Japan	13	12
Social Democrats	4	1
New Frontier Party	4	0
Others	18	10
Total	115	127

Baht weakens and stock prices fall as flotation euphoria fades

Thais may delay IMF plans

By Ted Bardacke in Bangkok

Two teams from the International Monetary Fund began working with the Thai central bank yesterday as the euphoria surrounding last week's flotation of the baht began to wear off. Stock prices fell sharply and the baht continued to weaken.

Central bank officials said the IMF teams would provide "technical assistance" to the bank on how to manage a floating exchange rate and on the consolidation of the financial sector, where many institutions are on the brink of collapse.

Ms Duangmanee Vongpradhip, of the central bank, said the IMF had been asked for assistance to create conditions necessary for a large-scale resumption of capital inflows, "but not necessarily to the government sector".

A former Thai central banker said the IMF teams may conclude that they are unable to complete their technical jobs without a more comprehensive IMF programme in place. This option appeared to be ruled out for the time being by Mr Chatumongkol Sonakul, permanent secretary for finance, who said it was too early to implement any new economic measures.

Realisation that comprehensive plans to deal with the aftermath of what is now a 10 per cent devaluation of the baht might be delayed for some time struck investor sentiment yesterday.

The baht weakened to Bt28.93 to the US dollar in the domestic market, compared to Bt28.75 on Friday and a central bank reference rate of Bt28.578. Offshore, where the central bank has currency controls in place to limit the amount available to foreign investors, the baht strengthened slightly to Bt28.75 compared with Bt28.85 on Friday.

Traders said that without a coherent set of measures to deal with the aftermath of baht's fall – including plans to help companies which are heavily indebted in dollars – Thai corporations were actively buying dollars to hedge themselves against further losses on their dollar debts, thus forcing the baht lower. The Thai central bank governor yesterday saw the the baht trading at 27.5-28.5 in the future.

Stock prices fell 3.7 per cent with the main SET index closing at 633.03. It was the first drop in the market since last week's de facto devaluation. In addition to the inevitable profit-taking after a 25 per cent rise in the market over the previous three trading days, brokers said they feared a further slippage of the baht would damage corporate balance sheets even further.

● Indonesia's central bank, Bank Indonesia, took radical steps yesterday to curb the banking sector's exposure to property by banning new credits to property companies seeking to buy new land or develop existing plots, Mannela Saragosa reports from Jakarta.

The new regulations will also prohibit banks from guaranteeing property-related securities, including shares, bonds, and commercial paper. Mr Soedradjad Djiwandono, the central bank governor, said the move was necessary because of concern over growth in loans to the property sector, which have increased to about 20 per cent of total outstanding loans from 11 percent in 1991.

The step was welcomed by analysts as another example of Bank Indonesia's style of taking preventive measures aimed at easing concerns among investors who, in the wake of the Thai baht crisis, have drawn parallels between both economies' rapid growth in loans to the property sector.

Observer, Page 13

Tokyo rate rise discounted

By Gillian Tett in Tokyo

The Japanese government is to cut the interest rate on money it lends to public institutions, reversing a rise implemented last month, it emerged yesterday.

The move reflects a change in sentiment in financial markets over the likelihood of an early Japanese interest rate rise.

In particular, comments by Japanese officials and economic data have damped speculation that the Bank of Japan might be about to raise rates from their present historical low of 0.5 per cent.

This shift has pushed down long market rates, and left the Japanese government cutting its own interest rates for public lending and savings schemes.

The Finance Ministry is expected to agree at a meeting today that the so-called zaito rate will be cut from 2.9 per cent to 2.8 per cent. It was raised from a record low of 2.6 per cent to 2.9 per cent last month.

The zaito, or fiscal investment and loan programme, is the scheme under which the ministry's Trust Fund bureau lends money collected through Japan's postal savings scheme to affiliated government institutions.

The zaito rate normally moves in line with government bond yields, which have recently fallen. The yield on the benchmark government bond (at present an eight-year bond) was 2.285 per cent in Tokyo yesterday.

This is sharply lower than the high of nearly 2.7 per cent recorded at the end of May, when traders believed the recent interest rate cycle was about to enter an upward phase.

Traders now think an interest rate rise will not occur in Japan for several months. According to the three-month euroyen futures contract, for example, traders expect rates of 0.99 per cent next spring. At the end of May, they thought rates would be 1.48 per cent in spring 1998.

Mr Michael Hartnett, chief economist at Merrill Lynch, said: "We think a rate rise is unlikely before next spring at the earliest."

The Industrial Bank of Japan is also expected to cut its own prime term lending rate later this week, following the recent falls in market rates. In May, it raised the rate from a historic low of 2.5 per cent to over 3 per cent, the first such move the bank had made for a year.

The IBJ lending rate is taken as the benchmark lending rate for the rest of the banking sector.

● The Japanese government yesterday unveiled data showing that the trade surplus in the first 20 days of June was Y453.2bn ($3.98bn) – 129.3 per cent higher than in the same period last June.

The move comes after several months' rise in the trade surplus, partly due to earlier yen weakness. Yesterday's figures helped to strengthen the currency: it closed at Y112.21 to the dollar in Tokyo.

Philippines forced to raise interest rate after peso attack

By Justin Marozzi in Cotabato City, Philippines

The Philippine peso came under heavy speculative pressure again yesterday, forcing the central bank to raise its effective overnight rate to 30 per cent after the finance secretary was quoted as saying the currency could "devalue" against the dollar.

The central bank was quick to deny the report, claiming Mr Roberto de Ocampo was misquoted and there was no change in policy. "The Philippines will not resort to any shift in policy to a fixed rate system," Mr de Ocampo said.

By close of trading, the peso was only fractionally lower after the central bank sold about $200m worth of the currency. The dollar closed at 26.4 pesos in unusually heavy trading volume totalling $834m.

The bank says its policy is a floating, market-determined exchange rate. But many observers say the stability of the peso over the past year means it is effectively pegged to the dollar.

"If they're really running a flexible rate, clearly there has been selling pressure in the past several months, so why don't they let it go down a bit?" said Mr Angus Armstrong, chief economist for Asia at Deutsche Morgan Grenfell in Singapore. "The market is smart enough to work out the reason, which is the forex exposure of the banking sector, which has been a little too high."

At 30 per cent, the overnight rate is now double its level before the sharp fall in the Thai baht last week and the highest in 27 months. The Bureau of Treasury said it might lower the volume of its weekly offering of treasury bills to contain rising interest rates.

Speculative pressure alone is unlikely to force the central bank to devalue the peso. At $200m, daily volume in the offshore forward peso market is a fraction of trading in the baht and it is not possible to build up a substantial position against the currency. But analysts now expect the bank to allow a gradual depreciation on its own terms of 5-10 per cent over the year.

NZ private pensions proposed

By Terry Hall in Wellington

A retirement scheme which privatises New Zealand's century-old taxpayer funded social support scheme was proposed by Mr Winston Peters, treasurer, last night.

The scheme is seen as part of a drive by Mr Peters to push economic reforms through his "code of social responsibility", aimed at encouraging a more self-reliant culture, especially among the lower-paid.

It is also seen as a move by Mr Peters to rebuild his image in the business community. Recent opinion polls have shown rapidly falling popularity for both Mr Peters and the National-NZ First coalition government.

Mr Peters is known to hope his political fortunes will lift if the public supports his proposed new retirement scheme in a referendum due in September.

The release of the scheme's long-awaited details ran into criticism from opposition parties last night, with the leftwing Alliance saying it would reverse it, no matter what the outcome of the referendum.

Some National Government ministers have said they will oppose it. They include Ms Jenny Shipley, thought the most likely successor to Mr Jim Bolger, the prime minister. Opinion polls before the details were released show more than 65 per cent of voters also oppose changing the existing NZ Superannuation scheme.

The government is spending millions to promote the scheme. Mr Peters said it was needed because New Zealanders were living longer and having fewer children. At present, one in eight New Zealanders is over 65; this will rise to one in four by the year 2047, putting pressure on the existing taxpayer-funded scheme.

Mr Peters' compulsory scheme requires people to save NZ$120,000 (US$81,632) by age 65, with lower amounts for people nearer that age. At 65, everyone will be required to buy a retirement fund annuity. Low earners will be given a top-up sum to buy a standard annuity.

Mr Peters says his proposed scheme will ensure superannuation is no longer subject to changes by politicians. "Future politicians will be far more reluctant to fiddle with private savings than with a tax-funded scheme," he said. The next hurdle is a scheduled government retirement report, due later this month, expected to reaffirm findings that the present taxpayer scheme is sustainable.

Kim's son denies bribe charges

By John Burton in Seoul

The youngest son of Mr Kim Young-sam, the South Korean president, yesterday denied taking bribes as he went on trial for influence-peddling in a case that has damaged his father's administration.

Mr Kim Hyun-chul, dressed in a prison uniform, admitted receiving a total of $7.4m from business associates, but said the funds were donations to finance his activities as an aspiring parliamentary candidate. He was regarded as one of his father's closest advisers, with the media calling him "the crown prince".

Prosecutors have charged that he accepted Won3.2bn ($3.6m) in kickbacks in return for a cable television licence, a motorway fast-food franchise and fixing a court case. He is also charged with evading taxes on some of the funds by hiding them in false-name bank accounts.

Two close associates of the president's son yesterday pleaded guilty to accepting funds in return for providing favours to business donors.

The case has harmed the credibility of his father, who came to power in 1993 vowing to root out corruption. He has lost much of his political influence, particularly in selecting a candidate to succeed him in a presidential election in December.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volumes and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.6	100.1	6.9	96.4	95.8
1987	108.5	105.8	6.1	104.2	98.8
1988	113.0	110.5	5.4	104.8	100.2
1989	115.5	112.5	5.2	87.8	98.8
1990	116.2	112.3	5.5	82.7	94.7
1991	113.3	110.1	6.8	81.7	99.5
1992	117.0	113.8	7.4	81.8	104.5
1993	122.2	117.5	6.8	87.7	109.8
1994	129.8	123.4	6.0	79.0	111.4
1995	133.8	127.4	5.5	79.3	111.4
1996	138.9	130.6	5.4	77.1	117.6
2nd qtr.1996	4.2	2.9	5.4	78.1	115.6
3rd qtr.1996	3.8	3.0	5.2	76.3	116.7
4th qtr.1996	3.8	3.6	5.3	77.8	117.6
1st qtr.1997		4.6	5.3	79.9	119.8
June 1996	3.2	3.3	5.3	78.7	115.6
July	3.7	3.4	5.4	76.7	115.7
August	3.2	2.9	5.1	74.8	116.2
September	3.9	2.6	5.2	77.4	116.7
October	4.6	3.3	5.2	75.3	117.2
November	3.4	4.0	5.3	79.9	117.2
December	3.3	4.4	5.3	77.9	117.6
January 1997	5.3	4.8	5.3	79.3	118.5
February	4.5	4.0	5.3	81.2	118.4
March		4.9	5.2	79.0	119.8
April		4.3	4.9	78.8	119.1
May		4.3		73.3	

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	106.5	99.7	2.8	94.3	83.1
1987	113.9	103.1	2.8	108.3	90.8
1988	122.6	113.1	2.5	135.9	96.3
1989	132.6	119.7	2.2	147.0	98.2
1990	141.6	124.5	2.1	149.8	95.0
1991	144.5	126.8	2.1	144.2	81.7
1992	139.8	118.0	2.1	124.2	90.3
1993	131.7	113.6	2.5	105.8	95.4
1994	129.5	114.5	2.9	99.4	103.2
1995	128.5	118.5	3.1	103.2	107.8
1996	132.6	121.7	3.3	115.3	109.8
2nd qtr.1996	3.2	0.7	3.5	111.7	108.5
3rd qtr.1996	1.4	4.5	3.3	118.0	109.0
4th qtr.1996	3.1	4.4	3.8	123.4	109.8
1st qtr.1997		8.5	3.3	121.5	111.0
June 1996	4.4	–0.6	3.5	107.6	108.5
July	–1.7	6.0	3.4	116.2	108.7
August	2.1	2.7	3.3	116.5	108.7
September	3.6	4.9	3.8	119.1	109.0
October	4.3	5.8	3.3	123.9	109.1
November	4.0	4.2	3.3	123.4	109.5
December	0.9	3.4	3.3	122.8	109.8
January 1997	2.2	8.4	3.3	128.6	110.2
February	1.7	3.5	3.3	117.2	110.6
March		7.5	3.2	118.4	111.0
April		4.8	3.3		109.1
May		6.7			

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	102.2	102.2	6.4	136.9	86.3
1987	106.0	102.6	6.2	149.5	86.0
1988	109.1	106.3	6.2	165.1	92.6
1989	111.9	111.4	5.6	218.5	96.9
1990	118.7	117.2	4.8	261.9	96.8
1991	125.0	121.7	4.2	297.8	96.2
1992	122.6	120.0	7.7	287.8	89.4
1993	118.7	112.8	7.9	229.0	95.1
1994	117.6	117.5	8.4	241.2	104.6
1995	118.5	119.4	8.2	268.2	100.5
1996	116.7	119.0	8.0	273.8	104.6
2nd qtr.1996	–1.6	–1.0	8.8	280.7	101.4
3rd qtr.1996	–0.2	1.1	8.9	271.5	103.8
4th qtr.1996	–2.0	2.2	9.2	271.5	104.8
1st qtr.1997		4.0	9.6	274.0	108.4
June 1996	0.5	0.0	8.6	280.5	101.4
July	–0.3	0.3	8.9	272.9	102.3
August	0.3	2.0	8.6	269.6	103.0
September	–0.8	1.0	9.1	272.1	103.8
October	–2.1	2.0	6.1	271.2	104.7
November	0.4	1.4	8.3	272.1	104.8
December	–4.2	3.8	9.3	271.2	104.6
January 1997	–1.3	1.7	6.8	265.4	105.8
February	–0.9	6.6	8.9	274.5	107.3
March		3.8	6.7	282.0	108.4
April		3.0	11.2	272.6	110.2
May		1.5		277.0	

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	102.4	101.1	10.4	107.0	95.4
1987	104.5	103.1	10.5	117.2	95.2
1988	107.9	107.3	10.0	135.3	100.0
1989	109.5	111.3	9.4	160.5	99.7
1990	110.4	112.8	8.9	163.2	94.8
1991	110.2	111.4	9.4	128.2	96.2
1992	110.5	110.0	10.4	109.5	94.8
1993	110.7	105.8	11.7	90.0	98.4
1994	110.5	109.9	12.2	104.1	102.0
1995	110.6	112.0	11.6		97.5
1996	110.2	112.8	12.4		100.7
2nd qtr.1996	–0.8	0.3	12.4		99.7
3rd qtr.1996	–2.4	0.8	12.5		101.4
4th qtr.1996	1.2	2.4	12.7		100.7
1st qtr.1997	–1.3	1.2	12.8		101.9
June 1996	–0.4	–0.4	12.4		99.7
July	–2.0	0.5	12.4		100.9
August	1.4	0.5	12.5		101.4
September	–6.4	1.3	12.8		101.4
October	4.4	2.5	12.8		101.5
November	0.4	2.5	12.7		101.2
December	–1.1	2.3	12.7		100.7
January 1997	–0.2	0.7	12.7		100.9
February	–3.1	1.9	12.8		101.3
March	–0.5	1.0	12.8		101.9
April	0.9	3.7	12.8		101.7
May					101.5

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1986	106.6	104.1	10.4	94.5
1987	112.1	106.8	10.9	96.2
1988	107.9	114.2	10.9	100.6
1989	116.8	118.7	10.9	98.7
1990	114.4	118.0	10.3	95.5
1991	110.9	116.9	6.8	97.7
1992	116.9	115.4	9.9	94.9
1993	114.1	113.0	10.2	101.9
1994	107.4	119.9	11.1	103.8
1995	102.1	127.3	12.1	102.1
1996		123.7	12.0	104.2
2nd qtr.1996		–1.2	12.0	100.7
3rd qtr.1996		–4.7	12.0	102.3
4th qtr.1996		–5.5	12.0	104.2
1st qtr.1997		–0.5		104.1
June 1996		1.7	n.a.	100.7
July		–3.2	n.a.	101.1
August		–7.9	n.a.	101.9
September		–2.7	n.a.	102.3
October		–2.8	n.a.	102.8
November		–2.2	n.a.	103.3
December		–11.0	n.a.	104.2
January 1997		–1.9	n.a.	105.5
February		1.1	n.a.	105.6
March		–0.7	n.a.	104.1
April		3.5	n.a.	103.1
May			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1986	105.3	102.5	11.2	118.1	94.2
1987	110.8	106.5	10.3	141.1	98.3
1988	117.8	111.6	8.6	144.0	98.0
1989	120.1	114.0	7.2	124.3	96.3
1990	121.1	113.7	6.9	97.7	94.2
1991	119.4	109.5	8.6	68.6	96.3
1992	120.4	109.4	10.1	69.8	98.2
1993	123.8	111.8	10.4	78.5	104.1
1994	128.5	117.4	8.5	93.8	105.8
1995	129.9	121.2	8.7	107.5	104.2
1996	133.8	122.8	8.2	131.9	106.7
2nd qtr.1996	2.7	1.1	8.3	121.3	106.1
3rd qtr.1996	3.4	1.0	6.3	139.5	106.4
4th qtr.1996	3.9	1.5	7.9	153.6	106.7
1st qtr.1997	4.7	1.1	7.4	156.0	107.2
June 1996	3.5	1.1	8.3	128.2	106.1
July	2.3	1.5	8.2	133.7	106.2
August	4.3	0.7	8.3	137.7	106.4
September	3.8	0.7	8.3	147.3	106.4
October	4.3	1.4	8.1	151.7	106.8
November	4.3	1.5	7.9	155.2	106.9
December	3.0	1.8	7.8	153.8	106.7
January 1997	4.8	2.0	7.6	152.0	106.5
February	4.6	1.2	7.4	156.8	106.8
March	4.7	0.2	7.2	159.0	107.2
April	4.9	2.2	6.8	158.6	107.4
May	5.3	–0.2		158.4	107.2

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available. UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

In an historic switch, opposition may have won 255 of 300 directly elected seats

Mexicans vote for a peaceful revolution

For the past 70 years, Mexicans have voted for the ruling Institutional Revolutionary party (PRI) in the belief that peaceful political change was impossible in their country. The all-inclusive ruling party, they were taught, was the only safeguard against Mexico's penchant for violent upheavals and doomed revolutionary heroes.

But on Sunday, Mexicans surprised themselves by voting quietly, peacefully and in an orderly fashion for the end of Mexico's de facto one-party state.

According to preliminary results after 85 per cent of the vote count, the longest-serving ruling party in the world has lost its overall majority in the lower house of Congress, the Chamber of Deputies. The PRI will remain the largest party in Congress, but will now have to negotiate legislation with the conservative National Action Party (PAN) and tbe leftwing Revolutionary Democratic Party (PRD), which together will have more seats than the PRI in the Chamber of Deputies.

"This is an event of absolute hietoric proportions," eaid Mr Enrique Krauze, the country'e leading contemporary historian. "With no party in overall control, the Chamber of Depnties will become the great democratic laboratory of Mexico.

The government will have to learn to negotiate with the opposition, and there will be a greater balance of power between tbe legislature and the presidency."

Under Mexico's complicated electoral arithmetic, 300 seats in the lower house are directly elected in a first-past-the-post system. The remaining 200 seats are allocated to political parties according to their percentage of the national vote.

In the 1994 general elections, the PAN and PRD together mustered majorities for only 23 seats in the first-past-the-post system. Three years later, they are set to win a mighty 255 out of the 300 directly-elected seats, according to early projections of the national vote.

The PRI, with an estimated 38.68 per cent of the national vote, has lost 10 percentage points, or 5.2m voters, since tha 1994 presidential elections and will be about 20 seats short of a majority in Congress.

The results will force the PRI, for the first time in its history, to negotiate the paesage of important legislation through Congress with its two big rivals. This will be particularly important in November, when the government presents the 1998 bndget to the Chamber of Deputies for approval. The Senate, where one-quarter of the seats were up for re-election, remains in the PRI's hands, but it has no review powers over the budget.

Finance ministry officials, however, yesterday denied they would face a deadlock over budget negotiations in Congress. "We have enough seats to build a working majority in Congress," Mr Martin Werner, deputy finance minister, said. There would be no change in economic policy, he added.

Voters deserted the PRI in Mexico City, where Mr Cuauhtémoc Cárdenas, the PRD's candidate for mayor, won more than 47 per cent of the vote, against 25 per cent for the PRI. The ruling party also lost the important industrial state of Nuevo León to the PAN, which fielded a steel millionaire, Mr Fernando Canales, as ite candidate for governor.

The PRI was also defeated in the central state of Querétaro, where it had previously never lost an election, and in the states surrounding Mexico City, where the PRD emerged as the surprise leading political force.

Political analysts, bowever, saw the election results as a rejection of President Ernesto Zedillo'e government and the economic debacle following the devaluation of the peso in December 1994.

"The election was a plebiscite against President Zedillo's administration and the PRI," says Mr Federico Estévez, a political scientist at the ITAM university in Mexico City. "The opposition vote favoured the PRD in areas of the country whicb remain economically depressed. Where the economy is booming, such as Nuevo León, the opposition vote went to the PAN."

President Zedillo, in a nationwida address on Sunday night, chose to ignore his party's poor showing in the polls, claiming credit instead for last year's electoral reforms which helped deliver the cleanest vote in the country's history. "Mexico has given an irreversible, definitive and historic step towards the normalisation of democracy," he said.

Mr Zedillo congratulated Mr Cárdenas for his triumph in Mexico City, and offered him the co-operation of the federal government to help him run the capital. Mr Cárdenas repaid the compliment, calling the vote "a huge democratic advance for Mexico".

Mexico City's stock exchange surged on the results of the elections, gaining 1.8 per cent during morning trading.

"The elections were seen as clean, calm and orderly," says Mr Gray Newman of HSBC James Capel in Mexico City, "and this was viewed by the market as more important for Mexico's long-term stability than the PRI'e losses in Congress."

The PRI yesterday sought comfort in the fact that it remained the largest party in Congress, even though it had lost blanket control. Within the party, the old guard known as "dinosaurs" appeared to have lost out against the reformist wing.

"For the PRI," Mr Krauze said, "the message of these elections is that it must begin a far-reaching internal reform to become a truly democratic party, and not just an adjunct of the state."

Editorial Comment, Page 13

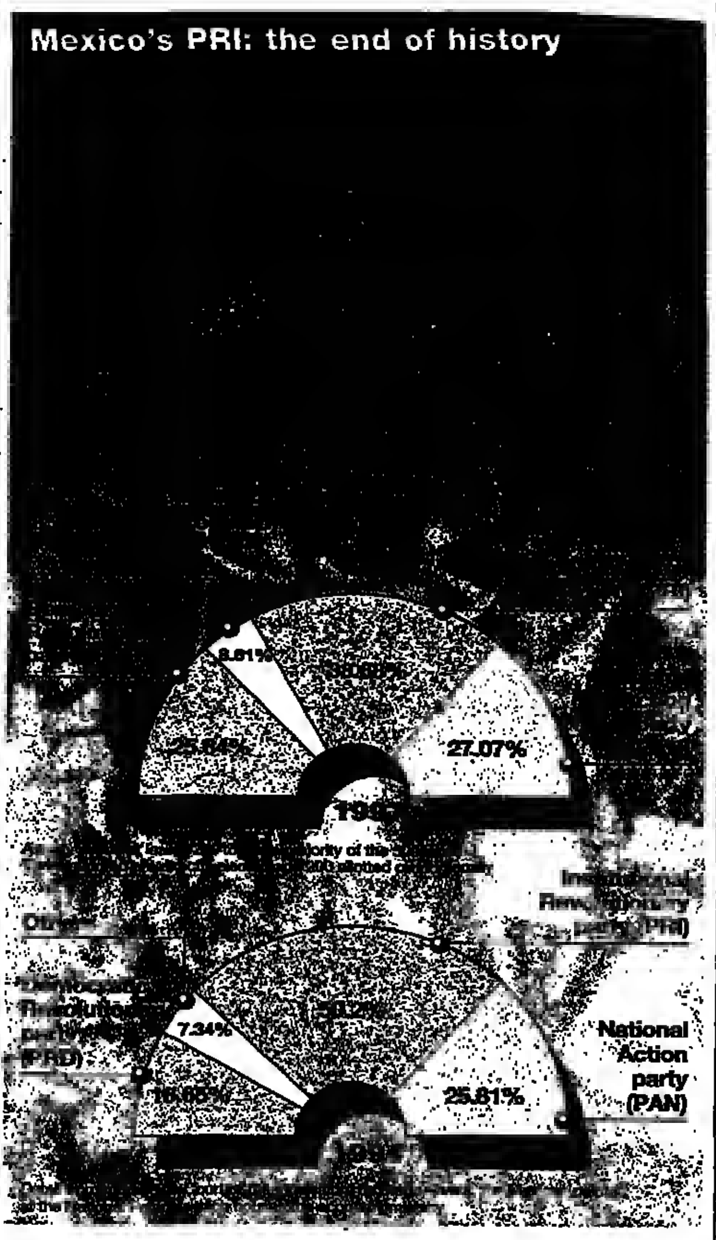
Leslie Crawford

Amado Carrillo Fuentes, Mexico's most wanted drug trafficker, appears to have died following a failed attempt at liposuction and plastic surgery, Daniel Dombey in Mexico City writes.

A body identified as Mr Carrillo's was discovered on Saturday at a funeral agency in the drug-infested state of Sinaloa and it later emerged that it had been shipped from Mexico City after cosmetic surgery that went wrong. The cause of death was a heart attack.

The body was identified by the US's Drug Enforcement Agency, but the Mexican Attorney-General's Office would only say his death was "probable".

The death, if confirmed, would be a severe blow to the Juárez drug cartel, which Mr Carrillo headed, since drug organisations are often held together by individual personalities.



UK criticised for tardiness over Montserrat disaster

By Canute James in Montego Bay

Caribbean countries have agreed to provide material and humanitarian assistance to the British colony of Montserrat, where volcanic eruptions have driven almost half of the 11,000 population off the island in the past two years.

Several countries have already sent teams of doctors and nurses, while food and medical supplies are to be dispatched by boat. Experts in emergency management will be provided, according to officials of the Caribbean Community secretariat.

Governments in the region say they are increasingly concerned that Britain appears unwilling to move quickly and definitively enough to deal with the deteriorating circumstances on the eastern Caribbean island.

Caribbean concerns will be conveyed to the British government today in a meeting between representatives of Antigua and the UK Foreign and Commonwealth office.

Caribbean officials acknowledge the value of the UK's provision of about £10m in aid; but say there appears to be "some reluctance by Britain to accept its full responsibility".

Mr Lester Bird, prime minister of Antigua, said: "The prospects for Montserrat in the months ahead are not easy to envisage, bnt appropriate arrangements must be made, primarily by the government of the United Kingdom wbose responsibility Montserrat remains." Antiguan officials say their social services are being stretched by the presence of about 3,000 refugees. Caribbean officials say Britain appears to be hoping that voluntary evacuation will spare it the responsibility of moving Montserratians off the island.

Most of the remaining 6,000 people on Montserrat have been moved to areas in the north which are considered safe.

An eruption a fortnight ago killed 9 people and forced the closure of the only airport and port. The government is considering the evacuation of about 1,500 people who cannot be accommodated in emergency housing.

US food and drug reforms under fire

By Mark Suzman in Washington

Patient and consumer groups are mounting a vigorous attack against proposed reforms to the US Food and Drug Administration, saying they could pose a danger to public health.

The FDA Modernization and Accountability Act, published last month, aims to provide speedier approval of new medical products and health claims about food, in part through expanding the use of outside reviewers and holding the FDA to stricter timetables.

Mr Howard Metzenbaum, a retired senator chairman of the Consumer Federation of America, a national coalition of consumer groups, warned that by weakening tbe FDA's direct control over medical device safety and allowing companies to make food claims withont significant scientific agreement, the proposale would be "harmful to the nation's bealth".

He called for the return of tbe bill to committee and new bearings. Mr Metzenbaum is being backed by the Center for Science in the Public Interest, Public Citizen, a national consumer advocacy organisation, and the Patients Coalition, representing patients with serious diseases.

Supporters of the bill, which bas received backing from several prominent Democrats as well as Republicans, say the FDA approval process is overly cumbersome and the reforms would make the agency more efficient.

The issue is complicated because the bill is tied to renewal of the Prescription Drug User Fee Act, a successful programme under which pharmaceutical companies have shared the costs of faster regulatory approval for new drugs with the FDA.

NEWS: INTERNATIONAL

Nine killed in Kenya pro-reform rallies

By Michela Wrong in Nairobi

Nine people were reported killed and hundreds injured in Kenya yesterday as security forces broke up banned pro-reform rallies across the nation.

In the worst violence seen since opposition parties, religious leaders and civic groups launched their drive for constitutional change this year, soldiers and police in riot gear fired live bullets and tear gas, clubbed demonstrators to the ground and charged fleeing protesters on horseback.

At least two people died in Nairobi, two students were reported shot dead in the outlying town of Thika, and four demonstrators and a policeman were reported killed in the town of Nyahururu, central Kenya.

The rallies were organised by the National Convention Executive Committee, which is calling for the repeal of a range of colonial laws before presidential and parliamentary elections expected this year.

The laws give the administration sweeping powers to ban public meetinge and detain people without trial. The committee has accused President Daniel arap Moi of abandoning any pretence of democrstic government and promised to intensify its efforts.

"From now on, it is war," said Mr Stephen Michuki, an opposition parliamentarian.

Activists warned that weeks of further protests would devastate the country's business community, already reeting from the effects of this year's drought.

While failing to mobilise the sizeahte crowds seen at a similar protest in May, the rallies brought Kenya's commercial hubs – Nairobi and the port of Mombasa – to a virtual standstill, with many employees too afraid of being stoned by students or caught in a police charge to go to work.

Only a trickle of cars circulated and shopkeepers kept metal shutters closed for fear of tooting.

Rally organisers said the security forces, who put down the May 31 protest with far tess btoodshed, this time appeared to be under orders to break up groups as aoon as they formed and target individuals responsible for organising the rallies.

"They made very few arrests," said Mr Paul Muite, a lawyer and opposition parliamentarian. "Instead their aim was to maim, to break bones, to beat."

Those hospitalised inclnded Mr Muturi Kigano, chairman of the unregistered Safina party, who was clubbed repeatedly, and the Rev Timothy Njoya, beaten by police who stormed an Anglican church in central Nairobi.

Both men have played a significant role in pushing for reform in the run-up to presidential and parliamentary elections due to be held by early 1988.

Mr Moi, in power for 19 years, acknowledged several years ago that the constitution needed altering but now argues that any changes will have to wait until the polls are over.

Priests and civilians flee tear gas fired by security forces during a rally in Nairobi organised by opposition groups

OECD EMPLOYMENT REPORT

Market forces 'cannot overcome skills deficit'

By Robert Taylor, Employment Editor

Unemployment in industrialised economies will fall only slightly next year to 35m (7.5 per cent of the labour force) from 36m this year, according to the annual employment outlook of the Organisation for Economic Co-operation and Development.

While some countries (– the UK, Ireland, the Netherlands, and New Zealand – achieved a good aggregate employment performance, Japan, Norway and the US have enjoyed "low aggregate unemployment and relatively high rates of labour force participation".

Nevertheless structural unemployment across the industrialised world is increasing and job growth has been weak, especially in continental Europe.

The OECD admits that many countries are hesitant to deregulate labour markets because it will threaten social cobesion by increasing inequality and poverty.

The report says countries vary considerably in inequality and low pay. In Sweden and Finland only one in 10 full-time employees are in low-paid jobs (defined as less tban two-tbirds of median earnings) compared witb one in four in the US.

The OECD argues that low-wage jobs "are often stepping stones into hetter ones" with many workers moving upwards to higber paid employment. This provides "evidence of considerable upward mobility in the earnings distribution", even thoogh escaping from a low-paid job can be a temporary pbenomenon. There is also evidence of a "carousel effect": many workers move back and forth from low pay to no pay.

The OECD favours encouragement of lifelong learning with employer involvement, contiouous upgrading of skills and "making workers more adaptable" but says many less-qualified workers receive little on-the-job training. People who need training opportunities most are often inhibited from individually undertaking the necessary investments because of the cost and the risk it may not pay off by getting them into good, well-paid jobs.

Low paid 'need their incomes topped up as well as education'

"This can also serve to lock them into low-wage jobs and for the ecooomy as a whole surely results in some loss of potential output," says tbe OECD.

It believes "market forces alone are unlikely to overcome tbe considerable harriers facing companies and workars considering investment in skills, ranging from the capital-market conetraints facing individuals to the prohlem of companies free-riding on the training undertaken by other companies by poaching trained workers".

The report admits that "proper incentives to overcome these market failures need to be put in place, but the best way to do this is still unclear". Training levies and individual training vouchers have had mixed success, it says.

The OECD believes education and training are not enough and the low-paid need to be helped in other ways. It favours schemes to top up low incomes such as the US's earned income tax credit scheme.

But the report says they are not a panacea for low-paying jobs though they are likely to be most successful in countries where the earnings distribution is relatively unequal and where benefits are low relative to average earnings and are tightly targeted on families with children.

The OECD warns that such echemes "may prove costly to the public purse, exacerbating already difficult fiscal positions in most countries, particularly if they take the form of a general payment to those with low earnings and earnings ineqnality continues to widen at the bottom of the distribution".

INTERNATIONAL NEWS DIGEST

Fis leader goes on trial

Mr Abdelkader Hachani, who headed the Islamic Salvation Front (Fis) at the height of its power in 1991, went on trial in a tightly guarded Algiers court yesterday, accused of trying to undermine state security. Appearing after five years' detention without trial, he told the court a Fis call for Algerian troops to disobey their officers and leave radical Moslem activists alone was aimed at avoiding "confrontation".

"The aim of the appeal was to avoid confrontation and involvement of the ANP (army) in political struggles," Mr Hachani told the court, as reported by Algeria's official news agency APS. He was arrested in 1992 after a statement in his name appeared in Al Khabar newspaper, when a general election in which the Fis had taken a huge lead was cancelled.

Mr Hachani's arrest came after the Defence Ministry accused him of "launching an appeal for rebellion in the army". A former oil engineer, Mr Hachani led the Fis to its landslide first-round victory in Algeria's first multi-party general election in 1991. The next month, the authorities cancelled the ballot, sparking violence in which about 60,000 people have died. *Reuter, Paris*

Iran 'behind Lockerbie bomb'

German prosecutors investigating the 1988 bombing of a Pan Am airliner over Lockerbie, Scotland, said yesterday they were interviewing a new witness who claims Iran was hehind the attack. "I can say a witness has been interviewed and that his testimony blames Iran," Mr Joh Tilmann, spokesman for the Frankfurt prosecutors' office, said.

Mr Tilmann did not name the witness but Der Spiegel magazine said he was a former Iranian intelligence agent who also gave evidence at the recent trial of an Iranian and four Lebanese convicted of killing Kurdish dissidents in Berlin. Tehran has already dismissed the new testimony as part of an anti-Iran campaign by German media.

Mr Tilmann said prosecutors had not finished questioning the witness and it was too early to evaluate the reliability or importance of his evidence. Some 270 people died in the bombing of Pan Am flight 103. A huge international investigation concluded Libya was responsible for the attack. Spiegel said the new witness had told investigators Iran had merely asked the Libyans for help in carrying out the attack. *Reuter, Bonn*

Militant gets life 46 times

An Israeli military court yesterday handed down 46 life sentences on a Palestinian Islamic militant convicted of planning three suicide bombings in Israel last year. Mr Hassan Salameh, a member of the Islamic Resistance Movement (Hamas), was convicted on June 30 of planning the attacks in February and March last year which left 46 people dead and helped derail the Middle East peace process.

The judge said the court's ruling was a message to "those who try to stop the process of reconciliation between Israelis and Palestinians by means of torn corpses: they will stay in jail until their last days". In addition to the life sentences, given for "premeditated manslaughter" as Mr Salameh did not carry out the attacks himself, the court sentenced him to 20 years' jail for being a member of and carrying out activities for a banned organisation. *AFP, Beit El, West Bank*

NEWS: WORLD TRADE

ICL buys control of S African subsidiary

By Paul Taylor in London

ICL, the UK-based computer systems and services group owned by Fujitsn of Japan, has acquired the 42 per cent stake in its South African subsidiary previously held by Malbak, the diversified industrial group.

ICL's Sonth African subsidiary is one of the country's leading information technology gronps and employs about 800 people. It provides a range of hardware products and services, including systems integration and IT outsourcing.

The acquisition is viewed by ICL as an important vote of confidence in the future of both the local company and the South African economy, as well as the potential of the local compnter services market.

"The increase in onr investment confirms our commitment to South Africa," said Mr Keith Todd, ICL's chief executive. "I am confident ICL South Africa will now strengthen its presence in its current market sectors and substantially increase its share of the IT systems and services market, particnlarly in the growth areas of networking and ontsourcing."

As a result of the deal, negotiated by Mr Richard Christon, ICL's commercial and legal director, in the face of a number of competitive bids, ICL will have a controlling interest in ICL Sonth Africa, although Mr Christou said it was ICL's intention "to structure the sbareholding to accommodate a substantial Black Empowerment Shareholding".

There are two other current sbareholders, Old Mntual, Sonth Africa's largest insurance group, which holds 6 per cent, and Thebe Investment, which through its Vuna Industrial Holdings subsidiary has a 10 per cent stake. ICL has an alliance with Vuna's IT company, Bhekisizwe Computer Systems.

EU, US to review aircraft subsidies

By Emma Tucker in Brussels

EU and US officials meet in Brussels on Friday to review a five-year-old transatlantic agreement on subsidies to aircraft manufacturers.

The European Commission called for the re-examination earlier this year because it believes the US is flouting the strict terms of the deal, drawn up mainly with rival aircraft manufacturers Airbus and Boeing in mind.

The meeting will take place just days before the Commission is due to give its final verdict on the proposed merger between Boeing and McDonnell Douglas of the US.

One of the Commission's chief concerns ebout the deal is that the merged company's commercial side will benefit from government military spending on its defence activities.

The 1992 agreement states that indirect eid should not exceed 3 per cent of the annual commercial turnover of the civil aircraft industry or 4 per cent of the annual commercial turnover of any one company. Direct aid cannot exceed 33 per cent of the value of a contract.

"The US is going well over the 3 per cent level that is permitted in indirect benefits," said a Commission source.

An independent study carried out by a US consultancy indicates that support for the US targe civil aircraft industry is three to five times higher than it should be under the agreement.

An example given is Nasa's high-speed civil transport project for which Boeing and McDonnell Douglas set the initial research parameters and defined Nasa's research priorities.

The Commission does not want to reopen the agreement, which was concluded only after years of tense negotiations during which hoth sides accused each other of cheating.

However, it hopes that as a result of the review it will win a commitment from the US to greater transparency, a tighter recoupment policy, force Boeing to repay more strictly some of the benefits it wins from Nasa, and tighten up on inducements – the prectice of leaning on countries to buy aircraft.

The US is understood to accept that indirect support paid to Airhus partners is within the 3 per cent limit of the agreement.

Washington also has no complaints about direct support as Airhus has not received any additional funding since the agreement was concluded in 1992.

"Their main complaint is that we are complaining," said an EU official.

World pharmacy drug purchases January-April 1997 ($m)

	US	Japan*	Germany	France	Italy	UK	Spain	Canada	Belgium	Neths
Cardiovascular	3,67[illegible]	2,401	1,257	1,278	658	465	364	327	136	133
Alimentary/metabolism	3,43[illegible]	2,149	514	774	456	461	263	203	90	130
Central nervous system	4,066	516	607	671	316	387	233	215	105	79
Anti-infectives	2392	1701	434	594	478	158	209	108	63	42
Respiratory	2,275	1,016	543	487	275	339	199	132	73	87
Musculo-skeletal	736	319	230	230	169	141	81	55	30	21
Genito-urinary	1,32[illegible]	267	308	270	142	136	60	70	29	36
Others	3,236	4,158	905	648	520	320	269	213	65	87
Total	21,377	13,427	5,098	4,952	3,018	2,406	1,678	1,323	631	615
% change*	11	1	0	5	6	5	9	10	4	2

Source: IMS International * Changes exclude currency movements

Surging US drug sales lift sluggish market

By Daniel Green in London

Pharmaceutical sales in the US registered rapid growth in the first four months of this year, more than compensating for sluggish markets in Japan and Germany.

Sales of pharmaceuticals in the US climbed 11 per cent to $21.4bn while sales in 10 of the world's biggest markets rose 6 per cent to $54.5bn, according to IMS International, the specialist market research company.

By contrast, sales in Japan rose only 1 per cent, to $13,427m, while those in Germany were flat at $5.1bn, excluding currency fluctuations. The slowdown in Japan was in marked contrast to the first quarter when sales were up 6 per cent on 1996.

Much is explained by government drug price cuts averaging 8.5 per cent in April 1996; the knowledge tbat drug prices were coming down had undermined 1996 first-quarter sales then, flattering this year's figure. The four-month figures show this effect tevelling out.

The US performance was based largely on growth in the four largest categories of drugs. In most other countries these big sellers have seen little growth partly because they have been tbe target for government-inspired drug price cuts.

Americans are big consumers of nervous system drugs, which inclnde top-selling antidepressants such as Prozac, made by US company Eli Lilly, and SmithKline Beecham of the UK's Seroxat Paxil. The category also includes the latest anti-smoking treatment, such as skin patches, sales of which are rising steeply in the US.

US nervous system drug sales are running at $1bn a month; the first four months' sales were 16 per cent up on the same period of 1996, at $4.1bn. The US dominates the global nervous system drugs market. Tbe 10-country total of $7.6bn represented an increase of 12 per cent over 1996. The 10 countries are the US, Canada, Japan, Germany, France, the UK, Italy, Spain, Belgium and tbe Netherlands.

The US anti-infectives market, which includes Aids drugs, where treatments have become much more effective, has also grown. The anti-infective leader is Gtaxo Wellcome's Zovirax.

Heart drugs showed good growth only in the US and UK. The best performers include cholesterol-lowering drugs. Sales rose 11 per cent in both the US and UK to $3.9hn and $465m respectively, with beart drugs remaining the biggest single category in the UK.

Indonesia to cut trade costs

By Manuela Saragosa in Jakarta

Indoneaia yesterday presented a trade deregulation package which will cut the high cost of trade betwean its 13,000 islands, provide a boost to the fishing industry and maintain the pace of a tariff rednction schedule announced last year.

The package received only a lukewarm reception from some local economists for failing adequately to tackle non-tariff barriers for key agricultural commodities such as sugar, wheat, and soybeans.

"This is very disappointing," said Mr Rizal Ramli, managing director of ECONIT, a consultancy on trade, industry and economy in Jakarta.

The Indonesian authorities partially removed the ban on imported fishing and cargo vessels by allowing imports of second-band ships to reduce costs for both inter-island shipping and the fishing industry.

The previous ban on ship imports – introduced to belp foster a local shipbuilding industry – has been hlamed for Indonesia's low fish catcbes which are only a quarter of the potential harvest. "This policy will not only help fishermen, but will also reduce inter-island freight costs, creating a more integrated national economy," aaid Mr Saleh Afiff, the co-ordinating minister for economy and finance.

Further efforts to reduce the costs of inter-island trade were made by a regulation reducing the number of taxes local governments levy on a range of goods and services. These have effectively acted as a tax on inter-island trade, restraining domestic competition, increasing the cost of doing business and limiting economic opportunities.

The package also continned the tariff reduction schedule announced last year to bring the Indonesian economy in line with its free trade commitments. The government pledged it would reduce 1,600 tariffs this year, cutting the average tariff rate from 13 per cent to 11.9 per cent and ensuring that more than half the country's tariff codes are in the zero to 10 per cent range.

The state monopoly over raw sugar imports is also heing lifted, bnt import licences will only be granted to sugarmill operators – many of which are controlled by politically well-connected bnsinessmen. Bulog, the state-owned commodities bnyer, retains monopohes over imports of rice, wheat and soybeans which the Wortd Bank said in a recent report "distort prices and business opportunities."

WORLD TRADE NEWS DIGEST

Rexrodt plea on internet

Mr Günter Rexrodt, Germany's economics minister, yesterday called for the removal of restrictions on encryption technology at the opening of a conference on internet commerce. The issue is expected to be one of the most hotly debated at the conference as politicians and industry leaders from the US, western and eastern Europe, Asia and developing countries discuss global issues on doing business on the internet.

In contrast to the US, which failed to relax rules on technology that allows internet users to code messages and business transactions, Germany has been leaning toward keeping such coding and decoding aoftware unregulated.

"Users can only protect themselves against having data manipulated, destroyed or spied on through the use of strong encryption procedures," Mr Rexrodt said.

Objection to allowing free trade in encryption technology has come mainly from security and law enforcement officials in the US and Europe. They fear that the technology will be used by organised crime to hide their activities. *Reuter, Bonn*

Observer, Page 13

Russia to fight video pirates

Some of Russia's biggest film studios and television companies have banded together to combat video piracy, which they claim is undermining the financial strength of their industry and depriving the government of $250m a year in tax revenues. Theft of intellectual property rights – in films, music, and computer software – is rampant in Russia and could hinder Russia's hopes of joining the World Trade Organisation next year.

International software and entertainment companies claim they lose $1bn a year because of copyright infringements in Russia and have been pressing the government to police its laws more effectively. The video action group, which includes Mosfilm, Russia's most prestigious film studio, ORT, the main television channel, and the US Motion Picture Association, will develop its campaign strategy over the next few months. Mr Sergei Solovyev, one of the country's best known film directors, has been appointed president of the anti-piracy organisation. *John Thornhill, Moscow*

Airbus in talks with El Al

A delegation from Airbus yesterday began talks in Tel Aviv with El Al, Israel's state-owned airline, which is considering buying five Airbus aircraft for more than $200m.

El Al's current fleet of 28 aircraft are all Boeings. Mr Nachman Kleiman, El Al's spokesman, said the company was considering a shift to Airbus as part of its strategic plan to return El Al to the black following losses of $83m last year. The 125- to 150-seat Airbus A-319 and A-320 aircraft, he said, would allow more frequent flights to European destinations than the airline operates today with its 190-seat Boeing 757s. If finalised, the purchase would be El Al's largest for many years.

Last week, El Al said it expected to cut its losses to $35m in 1997. Rehabilitation of the airline is a crucial step before its privatisation, scheduled for next year. In May, a government commission recommended selling 100 per cent of the airline on the Tel Aviv Stock Exchange next year. But Mr Joseph Chiechanover, El Al's chairman, said last month an initial sale of 51 per cent of the company's shares would be preferable. *Avi Machlis, Jerusalem*

British Airways disruption to start at Heathrow and Gatwick tomorrow

Airline strike likely to hit JFK

By Robert Taylor and Michael Skapinker

The strike starting tomorrow by British Airways cabin crew may lead to disruption at JFK airport in New York where the US Machinists trade union is refusing to work on "strike-breaking flights". The union represents all the engineers, baggage handlers and reservation agents at JFK.

The Machinists are themselves in dispute with BA about local issues and are soon to start mediation with the company over a pay and conditions deal which was first discussed nearly two years ago.

Mr Joe Adonolfi, chairman of the JFK Machinists, said yesterday he would be talking to management about the BA cabin crew dispute. But his members would not cross the picket lines which BA staff are expected to form or assist "strike-breaking flights".

The International Transport Workers Federation is trying to mobilise global backing for the BA strike with likely solidarity coming from airport workers in France, Sweden and Japan.

Continuing failure to resolve the dispute means that BA passengers from London's Heathrow and Gatwick airports face three days of widespread disruption from 06h00 London time tomorrow morning.

There were no signs on either side yesterday of determination to resolve what is threatening to be the worst industrial conflict in British civil aviation for many years.

The worst affected services tomorrow are expected to be at Heathrow where three-quarters of domestic and European BA services face disruption as well as half the airline's intercontinental flights. At Gatwick two-thirds of intercontinental services are likely to be affected.

BA says that the following flights should run normally:

- Domestic and European flights to and from Gatwick.
- International flights to and from Birmingham, Manchester, Edinburgh and Glasgow.
- UK domestic services other than at Heathrow.
- Services run by other airlines such as Brymon, Loganair and Maersk Air under franchise to BA.

The TGWU union that represents 6,000 cabin crew staff said it was preparing to call its members out for a further 72-hour strike from next Tuesday if BA did not negotiate a deal with them on restructuring.

BA said last night it would implement its contingency plans to ensure that as many flights as possible would operate normally. It claimed that more than half the cabin crews would work normally, but denied it had recruited "a strike-breaking army".

BA flight details are posted at the web site www.british-airways.com/strike

Lloyd's 'price war' starts at fraught time

Clash over the value of space on syndicates may mar first day of auction

Attempts by underwriters to take control of insurance syndicates at Lloyd's are meeting unexpected resistance. Two offers to buy space on syndicates from Names – the individuals who have traditionally backed Lloyd's – have erupted in a fierce dispute about the price that agencies which manage syndicates should pay.

Members' agents handling the affairs of investors at Lloyd's say the Names are being bought off too cheaply by underwriters eager to acquire more control over the businesses they manage.

But the underwriters have accused the members' agents of advising hundreds of Names wrongly. The infighting could not have come at a worse time for Lloyd's, which today holds the first auction of several this year where investors can buy and sell space on syndicates.

Buying space is buying the right to support a certain amount of business written by the syndicates, giving a proportionate return.

Lloyd's is desperate to attract clients following several years of losses and eager to create an environment where new-style corporate capital can thrive. It therefore wants the auctions to become a transparent marketplace for syndicate capacity. Capacity is the amount of business the insurance market can write and is backed by funds from capital providers. The main sources of capital are individual and corporate Names.

The arrival of corporate investors three years ago helped precipitate a wave of consolidation at Lloyd's. They have rapidly increased their presence since 1994, replacing the declining numbers of Names.

Some managing agents have this year tried to buy out the Names directly, offering cash to those prepared to give up capacity. Unlike buying and selling shares on the stock market, however, little in-depth analysis exists of what is a fair price.

Two such offers, one by Ockham Holdings and the other by Charman Underwriting, have come under fire from members' agents for being too low. The members' agents argue that Names should hold out for at least four times as much.

An influential group representing thousands of Names, the Association of Lloyd's Members, is urging its members not to accept the offers. It says that prices at this year's auctions will support its stance.

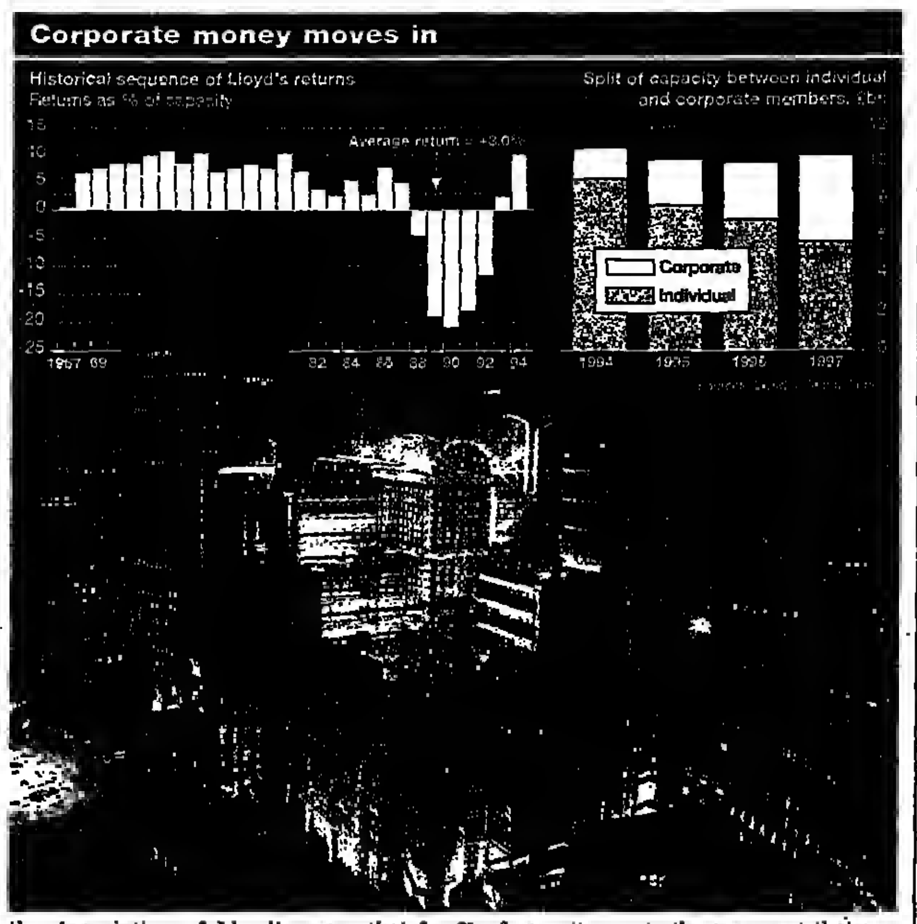
Lord Poole, who heads Ockham, is urging Sir David Rowland, chairman of Lloyd's, to appoint independent advisers to help the Names. He believes the members' agents have not taken into account the cost to buyers of providing funds to underwrite.

DLJ Phoenix, the corporate finance boutique advising Ockham on its offer, says that for £1 of capacity yielding 8 per cent in earnings, pre-tax profits are 11 per cent of capacity after including premium income from funds deposited at Lloyd's.

Earnings after tax will be 7.4 per cent, which on a multiple of 7 times earnings, would imply a valuation of 51.8 pence. But it says the cost of supplying capital to a buyer is 50 pence – half the business an investor can support – and suggests that the price paid to buy this £1 of capacity should be 1.8 pence. Members' agents dispute the argument that supplying capital is a "cost" since funds at Lloyd's can be used for other purposes at the same time as supporting underwriting.

With many arguing for much higher prices, a gulf divides most buyers and sellers. Market forces will, in theory, resolve the correct price during auctions, but there is no guarantee of that. The auctions have been running for only three years and are still seen by some at Lloyd's as experimental.

Christopher Adams



Merger of MCI spurs alliance by unions

By Andrew Bolger, Employment Correspondent

The proposed merger between British Telecommunications and MCI, the US telephone operator, has prompted two British trade unions to forge an alliance with the Communications Workers of America, the union which represents 600,000 workers in the US.

One of the UK partners is the Communication Workers' Union, which represents 100,000 telecommunications workers, most of whom work for BT. The other is the Society of Telecom Executives, which represents 18,000 telecommunications managers and professionals, also mainly BT employees.

Mr Toby Young, joint general secretary of the CWU, said the unions in the alliance would swap information about the big companies in the increasingly global sector and seek to develop complementary regulatory and political strategies. BT is awaiting US regulatory approval to merge with MCI and create a new company, Concert. Unlike BT, MCI does not recognise unions.

Mr Morton Bahr, president of the CWA, said that recently, at the instigation of the White House, he had met MCI in the presence of a mediator and agreed a code of conduct which would have provided the basis of a constructive relationship with the company. But at the last minute the company decided not to sign.

Mr Bahr said: "We are absolutely determined that MCI will not be allowed to get a free ride as a non-union or anti-union company."

Mr Young said the alliance was not just about MCI. Other companies identified as targets of joint organising strategies are Mr Rupert Murdoch's News Corporation, Cable & Wireless, AT & T, Bell Atlantic and US West.

Three organisers from the CWA will work in the UK for three months alongside officials of the British unions, advising them on US recruitment techniques.

- Barclays Bank yesterday accused two trade unions of ignoring the views of "the silent majority" of their members by pressing ahead with ballots for strikes against the bank's new performance pay scheme.

The two finance unions, Unifi and Bifu, yesterday started balloting their 40,000 members at Barclays. The unions said their members voted overwhelmingly in a consultative ballot a month ago to reject the bank's pay package, which they claim will mean a pay freeze for more than half the staff.

UK NEWS DIGEST

Trade fair aid to be simpler

The government intends to simplify financial support for British participants in trade fairs, according to a consultation paper to be published today. The proposals come after the Labour government decided to abandon reforms implemented by the last Conservative administration, which ran into widespread criticism from exporting companies.

The Conservatives scrapped an old-established scheme under which most aid was channelled through trade associations to participants in long-running events. The Conservatives wanted to allocate some of the funds through a competitive bidding system – called Sector Challenge – to encourage new ideas. Many exporters protested that the old system worked well and cost-effectively in promoting British exports.

Today, the government outlines three options: continue with the current scheme; broaden it beyond trade fairs to include aid for other types of export promotion; simplify the current scheme. The government prefers the last option.

Stefan Wagstyl, London

■ NATIONAL LOTTERY FRANCHISE

Holder may be favoured bidder

The government is moving away from its manifesto pledge to run the national lottery on a "not-for-profit" basis, amid signs that it would look favourably on a bid by the Camelot consortium to extend its franchise after 2001.

The members of Camelot are Cadbury Schweppes, the UK food and drink group; De La Rue, the security printers; Racal Electronics; ICL, a UK offshoot of Fujitsu; and GTech, the US lottery equipment supplier.

Ministers now accept that they are unlikely to find any company prepared to run the lottery entirely for the benefit of good causes. Even Mr Richard Branson – who once offered to run the lottery as a non-profitmaking venture – said he is no longer interested. And despite the recent row with Camelot over the pay and bonuses packages awarded to senior executives, the government admits that the company is one of the most efficient lottery operators in the world.

Senior government officials said ministers were now looking at a range of options which would allow the lottery to be run on "something close to a not-for-profit basis".

George Parker, London

■ NATIONAL POWER

Judge to reopen pensions case

National Power could have to pay more than £100m ($169m) to its pension fund after the judge in charge of last month's High Court action about the use of fund assets to finance redundancy packages in the industry yesterday agreed to re-open the case. The development is now being watched closely by other electricity companies in case they too face large and unexpected bills.

The move follows claims by lawyers acting for National Power pensioners that the judgment of Mr Robert Walker, in which he ruled that National Power and National Grid had acted lawfully in using surpluses to fund enhance pensions for staff leaving the companies, had been based on a "mistaken premise" in court. Lawyers for the pensioners said there was no suggestion that the judge had made a mistake. The decision overturned a Pensions Ombudsman ruling that National Grid had acted wrongly and should repay £46m to the pension fund. The disputed issue concerns National Power's decision in 1991 to make cash contributions to the pension fund in instalments rather than through a lump sum. In 1992, a revaluation was held which discovered there was a surplus in the fund. This enabled National Power to cancel the outstanding instalments.

The judge ruled that the decision to pay in instalments was an "irregularity".

John Mason, London

■ TIME WARNER VENTURE

$67m Scots multiplex investment

Warner Village, one of the UK's largest cinema chains, is investing £40m ($67.60m) in building four new multiplex cinemas in Scotland. Warner Village is a joint venture between Time Warner, the US entertainment group, and Village Roadshow, the Australian media concern.

The four cinemas will be in Edinburgh, Glasgow, Inverness and Kilmarnock. The Glasgow complex will have 20 screens and 5,100 seats. The chain recently unveiled plans to open a 32-screen "megaplex" cinema at the disused Battersea Power Station on the south bank of the river Thames in London. Its expansion reflects a general influx of investment into the UK cinema sector, where other chains are also pursuing ambitious opening programmes.

Alice Rawsthorn, London

■ POTATO CONSUMPTION

Effort to restore sales

The humble potato has been promised a new lease of life in its battle with rice and pasta. The British Potato Council, launched yesterday, pledged to revitalise the potato market by raising consumption by at least 2 per cent a year over the next three years.

The industry-wide promotional and research body replaces the statutory Potato Marketing Board, abolished at the end of last month as part of the previous government's deregulation programme. Mr David Walker, chairman, said an important target market was "18 to 28-year-olds looking for adventure in their food".

Potatoes lost significant market share when retail prices soared by 70 per cent between 1994 and 1996 following two years of Europe-wide shortages. Consumption, though far higher than that of rice and pasta, is down at about 105 kg per person per year from a 30-year high of 112kg three years ago.

Alison Maitland, London

Engineering output hit by strong pound

By Robert Chote, Economics Editor

Britain's engineering companies recorded their biggest monthly fall in production for more than a decade in May. Manufacturers struggled to cope with the effects of the strong pound on sales.

Engineering output fell by 2.3 per cent, the biggest monthly decline since production was disrupted by freezing weather in January 1987.

The decline contributed to a seasonally adjusted 1.1 per cent fall in manufacturing output during May, according to the Office for National Statistics. This was the biggest monthly drop in four years.

The ONS halved its estimate of the underlying trend in the growth of factory output from 2 to 1 per cent a year.

Meanwhile the latest financial services survey from the Confederation of British Industry reported healthy growth.

Mr Sudhir Junankar, CBI economist, said: "This is a positive survey with Britain's financial services on the up with a strong rise in profitability, above-expected increases in employment and a healthy rise in business volumes."

The figures underline the dilemma faced by the Bank of England's monetary policy committee following the unexpectedly consumer-friendly Budget. The monetary policy committee is expected to lift interest rates at least a quarter point from 6.5 per cent on Thursday.

Most economists believe Mr Gordon Brown, the chancellor, should have done more to restrain consumer spending. Mr Brown feels the markets do not appreciate how tough his Budget was.

N Ireland minister appeals to hardline marchers

By John Murray Brown in Belfast

Ms Mo Mowlam, chief minister for Northern Ireland in the British government, yesterday called on Protestants to show "some generosity" and avoid "triumphalism". Her statement was a clear signal that members of the Protestant and fiercely anti-republican Orange Order should re-route their proposed July 12 march through the Roman Catholic Lower Ormeau Road in Belfast, the capital of Northern Ireland.

The region was yesterday weighing the cost of a night of nationalist rioting following Sunday's decision to allow the disputed march by the Orange Order in Portadown, near Belfast. Ms Mowlam told pro-British unionists she would "expect to see some willingness and understanding of the events of this weekend reflected in their words and actions during the days ahead. There can and should be no triumphalism."

Police reported suspended train and bus services, with hauliers advised not to use the border crossing at Newry where protestors had blocked the road. Orangemen were last night due to march in the largely nationalist village of Bellaghy in County Londonderry, another potential flashpoint where residents and local Orange officials had earlier agreed a compromise deal.

In the wake of Sunday's riots in Belfast and other towns, Mr Gerry Adams, president of Sinn Féin, warned that republicans "will challenge this British government's stance in support of Orange marches". He promised to intensify the mass protests that have engulfed nationalist areas.

He said it was "obvious" that the police and British army were in charge and not Ms Mowlam. "And that is a very dangerous situation," he added. Mr Adams said the weekend's events had "made it much more difficult" for the IRA to call a ceasefire.

The British government has sought to heal any rift with the government of the Republic of Ireland. Mr Tony Blair, the prime minister, had a 10-minute telephone conversation with Mr Bertie Ahern, his Irish counterpart. Mr Ahern declined to place blame for the disturbances. He called on all "to steady up and try to move the peace process forward".

Aides to Mr Blair said he appreciated that Mr Ahern's comments had been "aimed at calming a difficult situation."

Northern Ireland's business and trade union leaders stated that a failure "to get to grips with our community divisions" would blight economic prospects "and sadly the consequences will inevitably be worst for the less fortunate in our society."

Francis Bacon's Man in a Chair, which fetched £518,500 at Sotheby's last month

Personal taste triumphs in the art market

Antony Thorncroft warns would-be investors of a fast growing speculative bubble

There are hundreds of shrewd Japanese bankers sadly contemplating indifferent paintings by Renoir, Marie Laurencin and Utrillo, among other "big name" artists, which they paid excessive prices for in the late 1980s and which are now worth less than half what they cost.

There are even more modestly affluent British collector-investors who were persuaded to buy artists of the Newlyn School, Scottish "Colourists" and other fashionable coteries in the same period, which have suffered similar deflation.

In the last few months, after more than six years of recession, art prices are rising again – or rather, good works in fine condition by the top artists are increasing quite steeply in value.

And, once again, stories are appearing in the newspapers of shrewd purchases of paintings, bought for a few pounds and now selling for thousands. A speculative bubble is forming which should be burst before it causes financial pain to many.

In 1953 the students of Pembroke College, Oxford, bought Man in a Chair, a painting by Francis Bacon, for £100 or so to decorate a college room; at Sotheby's last month it sold for £518,500 ($855,500).

But the students had been advised by Sir Kenneth Clark – and Bacon is regarded internationally as one of the three great British artists of the past half century, the others being Lucian Freud and David Hockney.

All three sold works for less than £500 30 years ago; all can now top £500,000 for a painting. The pictures they sold a generation ago went to keen collectors who loved art and recognised talent. It is only committed art lovers, who buy with no thought of investment, who are likely to end up making good investment decisions.

A handful of the young hopefuls leaving the top art schools this summer will end up as commercially successful artists, commanding ever rising fees. These are the likely success stories of the future.

So people buying the work of prize-winners at institutions such as the Royal College of Art improve their chances of emulating the students of Pembroke College. However, many bankable artists, like Francis Bacon, never went to art school.

There are problems buying at art college summer shows. Students tend to dislike the market, and rarely paint decorative works with popular appeal.

Indeed, the most fashionable young British artists, recent winners of the annual Turner Prize such as Damien Hirst, Rachel Whiteread and Douglas Gordon, create in media – dead animals stored in formaldehyde, concrete, and videos – that are not naturally designed to last, or fit into homes, or give endless pleasure.

Their creations are basically museum pieces, or aimed at a small group of very rich private collectors.

There is no link between artistic reputation and value in the art market. The most durable investments in recent years have been the creations of artists with no critical reputation whatsoever. The wildlife pictures of David Shepherd, the marine scenes of Montague Dawson, the demure nudes of Sir William Russell-Flint have all maintained their value over the past seven difficult years.

Anyone trusting their own judgment should go to the Summer Exhibition at the Royal Academy, where over 1,000 works are for sale, both by Royal Academicians, in theory the best of the bunch, and by top weekend artists.

If you want the advice of an expert, Mr Julian Agnew of Agnews, which has just celebrated 180 years in the business, points out that Italian Old Masters now seem cheap compared with Dutch, and that 18th century British pictures are underpriced compared with those of the 19th century.

TECHNOLOGY

Lasers' speed, power and ease have carved them roles ranging from heavy-duty to tiny and delicate, says **Anna Kochan**

Cutting edge of industry

Light fantastic

From fierce high-power beams cutting thick metal plates, to delicate low-power devices atching tiny features on to silicon wafers, lasers have left their mark on virtually every industry.

Industrial applications have developed dramatically since the first lasers went into service about 25 years ago. Since 1990, the world market has experienced an average annual growth rate of 15 per cent.

Laser beams ers used widely in industry for cutting, marking and welding because they are easily manipulated and controlled. They can be propagated over long distances, directed by mirrors, or in some cases by fibre optics, and focused by lenses or mirrors. The latest technology can produce so concentrated a pulse of energy that it can even make a hole in a human hair without burning or charring it.

Speed is one of the advantages; so is the minimal thermal distortion that a laser process causes — the heat effect is very fast and very localisad. In cutting operations, the laser produces an edge that is so clean and so square that no finishing operations are needed to prepare it for further processes, says Paul Hilton, technology manager for lasers at The Welding Institute near Cambridge.

Lasers are mostly used for two-dimensional cutting of various materials including metal, Perspex, rubber, steel and aluminium. They are also used to cut in 3D, particularly in the automotive industry, where they are used in the pre-production of body panels.

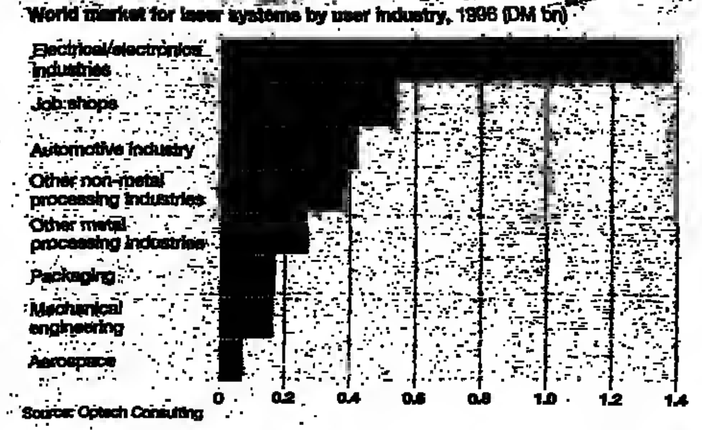
The lasars traditionally employed for cutting operations use a gas mixture containing carbon dioxide, which is excited by electrical discharge. To cut mild steel sheet, power of 1.5kW-3kW is needed, depending on thickness and cutting speed.

The main alternative is the less powerful solid-state Nd:YAG laser, in which an yttrium aluminium garnet crystal doped with neodymium, a toxic metallic element, is excited by high intensity flash lamps. A typical YAG application is delicate welding of heat-sensitive electronic components with laser power ranging from 50W to several hundred watts. A key advantage of the YAG laser over CO_2 is that the beam can be transmitted to the workstation through optical fibre rather than via a complex system of mirrors, says Don Bishop, technical director at UK company Electrox, which makes both CO_2 and YAG lasers. "The tremendous versatility of optical delivery systems means that as the power of YAG lasers is increased, they are beginning to encroach on the territory of CO_2 lasers," he adds.

Until fiva years ago, YAG lasers offered a maximum of 1kW but that has now increased to 4kW and will reach 6kW-8kW in the next two years, says David Martyr, general manager at the UK subsidiary of Lumonics, the Canadian laser manufacturer.

YAG lasers are more expensive than CO_2 lasers. But, according to Arnold Mayer, chairman of independent consultants Optech Consulting in Stuttgart, "because of the advantage of optical fibre delivery, they are likely to replace CO_2 lasers in many 3D cutting applications, particularly in the automotive area."

New ways of designing and making cars to reduce weight rely heavily on lasers. The flat sheets of steel which are pressed to form car body panels are now being tailored to tha precise needs of a specific panel. These so-called tailored blanks are made up of segments of different thicknesses and different coatings, welded together by laser.



An extra-thick segment provides added strength, for example, in the area where the hinges are attached on a door; a specially coated segment provides corrosion resistance where humidity is a problem. The tailored blank is then stamped in the same way as if it had been a simple sheet of steel. A laser is ideal in this application, says Martyr, because it produces a very narrow high-speed weld and can join different thicknesses and coatings.

The UK's first tailor blanking facility, now being installed by British Steel at Wednesfield near Wolverhampton, produces several hundred thousand tailored blanks a year. British Steel is discussing contracts with several UK car companies, says Tim Jones, British Steel's manager of sector development at Newport. The first cars with tailored blanks to be made in the UK will be available in 1998, he adds.

The tailored blank market for lasers is one of great growth potential. All new models of cars are being designed to incorporate them, reports Dave Foulks, general manager for lasers at the UK subsidiary of Trumpf, the big German producer of lasers and machine tools.

"The technology first appeared on a production vehicle in Japan four or five years ago. The idea was taken up by Mercedes-Benz and BMW, but only recently did it become a financially viable process for a typical family car. Now it is the way of the future," ha says.

Two new laser technologies also show growth potential. The excimer laser, like the CO_2 laser, uses an electrical discharge, but the mix of gases used produces light in the shorter ultra-violet wavelength range. Its future is in the microelectronics sector, says Malcolm Gower, chairman of Exitech, the Oxford company which supplies complete excimer laser workstations.

"Interconnecting holes for electronic devices, such as chips and transistors, are starting to be made by excimer laser rather than by mechanical drills. These holes are having to come down in diameter as more and more devices are being packed into an increasingly smaller area. The excimer laser is capable of drilling holes less than 100 microns in diameter, which mechanical drills cannot," he says.

Semiconductor manufacture is another big growth area for excimer lasers, which are already starting to replace mercury-arc lamps as the illumination source to which silicon wafers are exposed during the photolithography process. Excimers can handle the smaller feature sizes baing introduced, unlike the lamps, Gower adds.

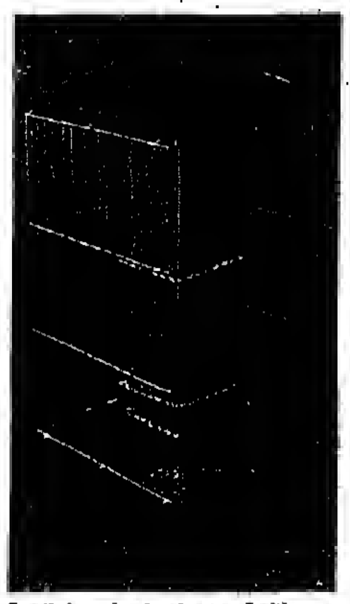
The second new technology is diode lasers, which are moving from the medical field into industry, says Douglas Fernie, general manager of the industrial division at Diomed, the Cambridge leser maker. Diode lasers are high-power variants of the laser diodes used in laser printers and CD players.

They are the most efficient of all industrial lasers, Fernie says, and will completely take over from the YAG for marking operations over the next five years. "To compare a diode laser with YAG and CO_2 lasers, is like comparing the old electronic valves with modern integrated circuits," he claims.

Previous articles in this series appeared on April 24 and May 8.

Bloodsuckers lured to a shocking end

Bruce Dorminey reports on an innovative electronic machine to kill mosquitoes



Death trap: heat acts as a 'bait'

Female mosquitoes rarely discriminate when choosing their victims. At the very least, the bloodsuckers are a nuisance; at worst, they carry diseases such as malaria, encephalitis and dengue, an infectious fever common in tropical regions. But relief may come from an unlikely source.

Two years ago, Alvin Wilbanks, a self-described "mad scientist kind of guy", had a patent pending on his new Mosquito Killing System (MKS). Then Nasa called.

Almost 10 years and $1m (£500,000) after the little-known, self-taught Arkansas engineer had begum to develop his contraption, the space agency's Technology Transfer office wanted to discuss how its technology could help cut production costs on his mosquito killer.

Engineers at Marshall Space Flight Centre in Alabama helped Wilbanks refine the voltages, electrical grid, wires and spacing used in killing the mosquitoes, while suggesting improvements that could be made in the device's plastic moulding.

None of Nasa's assistance involved transfer of "rocket science" technology, such as that used in the US Space Shuttle programme. Even so, this peculiar pairing has resulted in a first in electronic mosquito extermination.

The device, on which a patent has been granted, is 4ft high by 2ft wide. It attracts mosquitoes by relying on the insect's natural ability to sense heat and breathing in finding its prey. A heat source provides an infra-red heat image which attracts the bugs over an acre, while gentle air currents simulate the carbon dioxide its prey emits during respiration, an artificial mixture Wilbanks compares to cows' breath.

Once the mosquitoes have landed on the device's interior column, they are electrocuted on an electric grid using 110 volts of alternating current. In tests using nearby humans as "competition", the machine killed an average of eight to 10 mosquitoes per second, or enough to make a real dent in any local population. But Wilbanks cautions that the invention is no cure-all and only works over time.

Unlike regular bug zappers that use ultra-violet light to attract all sorts of insects, many of which are beneficial, MKS attracts only blood-seeking mosquitoes. And with a photoelectric cell to switch the machine on at dusk and off at dawn, its operating cost should average only $6 a month. Residential and industrial models will be priced at $350 or less.

Wilbanks plans to start assembling the devices later this summer in the small Arkansas town of Trumann, which will also be the MKS's first municipal test site.

Trumann is replacing its normal summer mosquito spraying programme with 200 of the killing machines, a scenario that might prove too costly for cities in developing countries. Even so, Ted Tsai, a medical officer at the Colorado-based Centre for Disease Control, says he is still very interested in results from the trial in Trumann.

So are many others. Wilbanks has already had calls from both governments and private industry all over the world and is negotiating to license the system internationally.

He projects sales of 40,000 units, worth $12m, by the end of this year, enabling his fledgling company, Environmental Products and Research, to show a profit in year one.

And with two patents pending on similar technology to counter ticks and blackflies, the company expects to double sales each year over the next five years.

LEGAL NOTICES

IN THE MATTER OF
MAYKING MULTI-MEDIA LIMITED
MAYKING CASSETTES LIMITED
MEDIA EXIT LIMITED
AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Notice is hereby given that meetings of members and creditors in the above matter are to be held at Hotel Russell, Russell Square, London WC1B 5BE, on Friday 18 July 1997 at:

Mayking Multi-media Limited and Mayking Cassettes Limited 10.30am

Media Exit Limited 2.30pm

to consider our proposals under section 23(1) of the Insolvency Act 1986 and to consider establishing creditors' committees.

A proxy form is available which should be completed and returned to us by the date of the meeting if you cannot attend the meeting(s) and wish to be represented. In order to be entitled to vote at the meeting(s) you must give to us, not later than 12.00 hours on the business day before the day fixed for the meeting, details in writing of your claim.

Dated 3 July 1997

NIGEL RUDDOCK and IPE JACOB Joint Administrators
Robson Rhodes, 186 City Road, London EC1V 2NU

PUBLIC NOTICE

oftel Office of Telecommunications

MODIFICATION TO LICENCES GRANTED TO LOCAL BROADBAND CABLE OPERATORS

1. The Director General of Telecommunications ("the Director") in accordance with section 12(2) of the Telecommunications Act 1984 ("the Act") hereby gives notice that he proposes to make modifications to all 128 local broadband licences granted under section 7 of the Act which authorise the running of telecommunication systems (referred to in the licences as "Applicable Cabled Systems") each of which systems has been designated by order under section 9 of the Act as a public telecommunication system. The licences, which were granted during the period beginning on 26 April 1985 and ending on 14 January 1994, relate to the areas specified in the Schedule to this Notice.

2. Condition 1 of Part 2 of Schedule 1 to the licences requires the licensee (subject to any determination by the Director) to provide telecommunication services (other than voice telephony services) consisting in the conveyance of messages. Condition 11 requires the licensee to publish its charges, terms and conditions. Condition 42 gives the Director the power to take appropriate action where a person associated with the licensee has acted on its behalf contrary to the licensee's obligations.

3. The Director proposes to modify the licences:

(a) by modifying Condition 1 so that it requires the licensee to provide broadcast entertainment services and (if so directed by the Director) other telecommunication services, *including* voice telephony services, in respect of which the licensee has become a well-established operator;

(b) by modifying Condition 11 by substituting a new Condition varying the time limits for the publication of charges, terms and conditions;

(c) by modifying Condition 42 by substituting a new Condition giving the Director wider powers than at present to direct the licensee to take appropriate action;

and

(d) by deleting a number of Conditions contained in the licences which are not contained in local broadband licences granted under section 7 of the Act since 14 January 1994.

4. The Director also proposes to make a number of modifications consequential on the modifications mentioned above.

5. The Director proposes to make the modifications referred to in paragraph 3(a), (b) and (d) above and those consequential on them because he considers that they will facilitate the commercial development of the Applicable Cabled Systems and he proposes to make the modifications referred to in paragraph 3(c) above and those consequential on them because he considers that they will facilitate compliance with the licensee's obligations.

6. The Director is required by section 12(2) of the Act to consider any representations or objections to the proposed modifications. Following such consideration the Director proposes to make the modifications forthwith, subject to the licensees' consent to them.

7. Representations or objections to the proposed modifications may be made to the Director by 5 August 1997 and should be addressed to Mr H Corry at OFTEL, 50 [illegible] available for inspection in OFTEL's library. Short comments can also be e-mailed to OFTEL on press.office.oftel@gtnet.gov.uk

8. Comments on such representations or objections may be made to the Director by 19 August 1997 and should be addressed to Mr H Corry at the address in the previous paragraph.

SCHEDULE

Areas to which the licences relate: Aberdeen, Accrington, Airdrie, Aldershot, Amersham, Andover, Ashford, Avon, Aylesbury, Barnsley, Basildon, Basingstoke, Bath, Bathgate, Bearsden, Bedford, Bedfordshire North, Bedfordshire South, Bedworth, Berkhamsted, Birmingham, Bishops Stortford, Blackburn, Bolton, Bootle, Borehamwood, Bournemouth, Bracknell, Bradford, Brentwood, Brighouse, Brighton, Bristol, Bromsgrove, Burnley, Bury, Camberley, Cambridge, Cannock, Cardiff, Carnoustie, Castleford, Chatham, Chelmsford, Cheltenham, Chesham, Cheshire (North and North East), Cheshunt, Chester, Chigwell, Chipping Ongar, Chorley, Chorleywood, Cleethorpes, Clydebank, Coatbridge, Colchester, Colne, Corby, Coventry, Crawley, Crosby, Cumbernauld, Cwmbran, Darlington, Dartford, Darwen, Deal, Derby, Dewsbury, Doncaster, Dover, Droitwich, Dudley, Dumbarton, Dundee, Dunstable, Durham, East Kilbride, Edinburgh, Egham, Ellesmere Port, Ely, Epping, Esher, Exeter, Falkirk, Fareham, Farnborough, Farnham, Fleet, Folkestone, Gillingham, Glamorgan (West), Glasgow (Central and North West), Glenrothes, Gloucester, Gosport, Gourock, Grantham, Gravesend, Grays, Great Yarmouth, Greenock, Grimsby, Guildford, Halifax, Hamilton, Harlow, Harpenden, Harrogate, Hartlepool, Havant, Hemel Hempstead, Henley-on-Thames, Hertford, Hertfordshire (South), Hertfordshire (Central), Hertfordshire (West), High Wycombe, Hitchin, Horley, Hove, Huddersfield, Ipswich, Iver and Iver Heath, Kenilworth, Kettering, Kidderminster, Kilsyth, Kirkby-in-Ashfield, Kirkcaldy, Knowsley, Lancashire (Central), Lancashire (East), Larkhall, Leamington Spa, Leatherhead, Leeds, Leicester, Leighton Buzzard, Letchworth, Leyland, Lincoln, Linlithgow, Liverpool, Livingstone, Loughborough, Loughton, Lowestoft, Luton, Macclesfield, Maidstone, Manchester, Mansfield, March, Market Harborough, Melton Mowbray, Middlesborough, Milngavie, Monifieth, Motherwell, Neath, Nelson, Newark on Trent, Newbury, Newcastle-upon-Tyne, Newmarket, Newport, Northampton, Norwich, Nottingham, Nuneaton, Oldham, Oxford, Paisley, Perth, Peterborough, Plymouth, Pontefract, Pontypool, Poole, Port Glasgow, Portsmouth, Port Talbot, Potters Bar, Preston, Reading, Redditch, Redhill, Renfrew, Rickmansworth, Rochdale, Rochester, Rotherham, Royston, Rugby, Runcorn, Saffron Walden, Salford, Salisbury, Sandwell, Sheffield, Shepshed, Sittingbourne, Southampton, Southend, South Shields, Spondon, St Albans, St Helens, St Neots, Stafford, Stevenage, Stockport, Stockton, Stoke-on-Trent, Stratford-upon-Avon, Sunderland, Surrey (North and North East), Sutton-in-Ashfield, Swanley, Swansea, Swindon, Tameside, Telford, Torbay, Tyneside, Vale of Leven, Wakefield, Walsall, Ware, Warrington, Warwick, Washington, Watford, Wellingborough, Welwyn, West Lothian, Weston-Super-Mare, Weybridge, Whitley Bay, Whittlesey, Widnes, Wigan, Wilmslow, Winchester, Windsor, Wirral, Wisbech, Wishaw, Woking, Wolverhampton, Worcester, Worthing, York and the London [illegible]

LAW

Preferential rules clarified

EUROPEAN COURT

Uoder the terms of the Brussels Convention, a person who concluded a contract with a view to pursuing a trade or profession at a later stage could not benefit from the preferential rules relating to choice of jurisdiction available to consumers, the European Court of Justice held.

The case arose in the context of a franchise contract. The franchisor was an Italian company specialising in dental hygiene products. The franchisee was an Italian national who was to operate a shop in Germany. In return for exploiting the franchisor's trademark the franchisee agreed to equip the premises at his own cost, only stock the franchisor's products and pay a one-off fee of L8m ($4,680). The parties agreed that in the event of a dispute, the Floreoce courts should have jurisdiction.

The franchisee set up his shop and paid the initial fee. However, he failed to pay for several purchases from the franchisor and never traded. The franchisee brought proceedings in the local German courts where he sought to have the franchising agreement declared void on the ground that it was void as a whole in German law. Insofar as jurisdiction was concerned, the franchisee argued that the Florence courts did not oust jurisdiction from the German courts, which would normally have had jurisdiction in the dispute under the Brussels Convention, because his action sought to have the whole franchising agreement declared void, including the jurisdiction clause. The franchisee also argued he should be deemed to be a consumer as he had not started to trade. This would have given him the right under the Brussels Convention to bring his action in Germany.

Taking the second point first, the Court stated that the concepts used in the convention had to be interpreted independently by reference to the system and objectives of the convention to ensure that it was uniformly applied in all contracting states. The general principle of jurisdiction in the convention was that the courts where the defendant was domiciled should have jurisdiction in matters relating to that party.

Insofar as the coocept of "consumer" was concerned, the Court's case law made it clear it was only relevant to a private final consumer. In order to determine whether a person fell within such a category, it was oecessary to make reference to their position having regard to the nature and aim of the contract in question and not to their subjective situation. Only contracts concluded for the purpose of satisfying an individual's own oeeds in terms of private consumption came within the derogating provisions. Thus, only contracts concluded outside and independently of any trade or professional purpose could fall within the derogating provisions. The franchisee therefore was not a consumer.

As to whether the franchisee could avoid the jurisdiction clause in the contract on the grounds that he was impugning the whole of the agreemeot including the jurisdiction clause, the Court held first that such a clause served a procedural purpose and was governed by the provisions of the convention, the aim of which was to establish uniform rules of international jurisdiction. The Court also found the relevant provision of the convention dealing with exclusive jurisdiction agreed between the parties had to be complied with strictly as otherwise the legal certainty which the provision sought to ensure could be easily jeopardised by claims that the whole contract was void and therefore unenforceable.

C-269/95: Francesco Benincasa v Dentalkit Srl, ECJ 6th CH, July 3 1997

BRICK COURT CHAMBERS
BRUSSELS

INTERNATIONAL PEOPLE

Heiniger retires from Rolex

Andre Heiniger, 76, is stepping down after over thirty year running Rolex, one of the world's most soccessful and secretive watchmakers.

Heiniger, who joined the company in 1948, is only the second person to head Rolex, which was founded in London in 1905 by Hans Wilsdorf, the German-born inventor of the first waterproof watch.

Rolex, which set up in Geneva in 1919, is owned by the Hans Wilsdorf foundation. It releases very little information about its affairs. Its sales have grown from SFr35m (£14.6m) in 1960 to around SFr2bo currently and it employs over 3,000 people. Freddie Hasslauer of Bank Sal.Oppenhiem in Zurich, believes that it is the only truly global luxury watch brand and estimates that it is at least three times as big as its nearest competitors such as Omega and Tag Heuer.

Bertand Gros, a Geneva lawyer and non-executive director, takes over as chairman and Patrick Heiniger, 47, Andre Heiniger's son and general manager of Montres Rolex, the watchmaking subsidiary, moves up to be chief executive of the group.

His father, who joined the board in 1955, retains the title of honorary president of Rolex. In addition to its watchmaking business, Rolex is a substantial investor and has close links to Martin Ebner, the Zurich-based financier. Rolex has sold its stake in Ebner's BK Vision, a big investor in Union Bank of Switzerland, but still owns a third of Pharma Vision, which has the bulk of its funds invested in Roche, the second biggest Swiss pharmaceutical company.

William Hall, Zurich

Kavalsky moved by World Bank

The World Bank's new policy of devolving decision-making out into ths field has resulted in Basil Kavalsky, a Sooth African national, who has been with the bank since 1966, moving to Poland. Based in Warsaw he will handle Lithuania, Latvia and Estonia as well as Poland in a de facto upgrading, in World Bank terms, of the Polish capital.

Kavalsky educated at Cape Town University and the LSE, has for the past four years looked after the three Baltic States as well as Belarus, the Ukraine, Moldowa, Armenia and Georgia, but all from his Washington office.

Now he is setting himself the task of helping to speed Poland's privatisation effort, as well as supporting the country's drive to become a European Union member, in talks which are expected to start early next year.

Kavalsky follows Paul Knotter, an Austrian, in Warsaw for the past three years, who helped to redefine the World Bank's role in Poland from that of a major lender to a provider of technical assistance.

The Bank's Warsaw office was originally set up in 1990 by Ian Hume, a Rhodesian, who set in train loans worth well over $3.5bn during his tenure.

Chris Bobinski, Warsaw

Japan's Mr Yen gets wider role

Eisuke Sakakibara, one of Japan's best-known financial bureaucrats, will also become one of the country's most senior officials following the government's decision to appoint him vice-minister of finance for international affairs.

The international media have given the ontspoken Sakakibara, 56, the nickname "Mr Yen" for his ability to influence currency markets through his blunt remarks. As the ministry's number two career bureaucrat, Sakakibara will gain even more influence over policy matters related to Japan's international finance role, including foreign aid, budget allocation and financial-market regulation.

In his current post as director-general of the ministry's international finance bureau, Sakakibara has had significant input into the government's "big bang" programme of financial deregulation, particularly in the recent liberalisation of foreign exchange laws.

He played an important role in co-ordinating with other Asian governments efforts to stabilise regional currencies, and led the push in 1995 to counter the yen's sharp rise through financial-market reform.

His often controversial approach earned him criticism from within the ministry, while his freqnent evocation of "traditional Japanese values" saw him labelled a "new nationalist." Sakakibara's promotion, however, is seen as a triumph for the pro-reform movement.

A fluent English speaker and author of several books, Sakakibara earned a doctorate at the University of Michigan after graduating from the prestigious University of Tokyo.

He will succeed the quietly-spoken and relatively low profile Takatoshi Kato, who will retire from office this month. The ministry's top position, meanwhile, will be filled by Takeshi Komura, currently director-general of the ministry's budget bureau. Komura, 57, will replace Tadashi Ogawa, who will also retire.

In other bureaucratic promotions announced last week, Japan's ministry of international trade and industry will appoint Osamu Watanabe to the top bureancratic post of administrative vice minister, and Katsuhiro Nakagawa as vice-minister of international affairs to function as the ministry's chief trade negotiator. Both Watanabe and Nakagawa are career bureaucrats. Watanahe currently heads the ministry's industrial policy hurean, while Nakagawa is in charge of the machinery and information industries bureau.

Gwen Robinson, Tokyo

ON THE MOVE

■ BZW, the global investment arm of the Barclays Bank group, has appointed Jeff Deck as chief operating officer for its integrated markets and equities business in Japan. To be based in Tokyo, he joins from CS First Boston.

■ LEHMAN BROTHERS, the global investment bank, has appointed Koji Tsubouchi as managing director to head up its Japanese Government Bond trading operation in Tokyo. Ryuichi Nishida becomes senior vice-president and senior JGB trader. Nishida also joins from Merrill Lynch Japan, where he worked closely with Tsubouchi.

■ CRESENTE DO BRASIL UK, a finance and trading company, has appointed Marcos Barroso de Menezes chief executive for parent companies Cresente UK, London and Knightsbridge Bank Investments. He was president of the Brazilian Indian Society, and former director of Development World finance system for African countries and a member of National Valuer Center a nation research center in USA.

■ Michael Duval, 43, has been appointed geoeral manager of BANK AUSTRIA London branch, with effect from July 1. A barrister by profession, he joined the bank in November 1990 having previously been legal counsel at Chase Manhattan, Manufacturers Hannover and Swiss Volksbank. He succeeds Frederick (Ben) Brittain who is retiring.

■ TAL INVESTMENT COUNSEL has appointed Kevin Doyle as managing director of TAL (Europe), based in Geneva. He replaces André Monette who returns to Montreal having established the Geneva office in 1995. TAL Investment Counsel is Canada's second largest fund management organisation, with C$32 billion under management, and is expanding rapidly overseas with offices in Geneva, Hong Kong and Singapore. TAL is part of the CIBC Group.

■ Jesus Dominguez has been named Texas-based BANCTEC's sales and marketing director for Central and Southern Europe.

■ ONE HOLDING, a unit of Finance One of Thailand has announced the resignation of its managing director Sarnti Krajangnet.

■ VTECH HOLDINGS of Hong Kong has appointed Jack Hirsch and Edward Armstrong as directors, while Bosco Ho resigned as a director effective June 23.

■ LUBRIZOL of Ohio has appointed Thomas Moore to its board.

■ LVMH MOET HENNESSY LOUIS VUITTON said its leatherwear unit Loewe has appointed Narciso Rodriguez designer of its ready-to-wear collection for women.

■ Dutch software company TRIPLE P said Fezi Khaleghi Yazdi would be resigning as chief executive and president, effective September 1. The company said that Jan Willem Baud is to take over his responsibilities but had not yet officially been named Yazdi's successor.

■ BZW SECURITIES has appointed John Jaenisch as head of the Asian equity sales desk in New York.

■ Investment holding company SUN HUNG KAI named new members of its board. Arthur Dew is to be executive chairman, Stephen Chong and Stephen Law executive directors and Gerard MaMahon a non-executive director.

■ The DIAL CORPORATION of Arizona has appointed Lowell Robertson as senior vice-president, finance.

■ HARRAH'S ENTERTAINMENT of Memphis have announced the appointment of Mike Kenny as senior vice-president and general manager of Harrah's Tunica Mardi Gras, and Joe Hasson as vice-president and general manager Harrah's Prairie band Topeka.

■ TOSHIBA AMERICA has announced the appointments of Shunichi Yamashita as vice-chairman and president and of Atsutoshi Nishida as vice- chairman.

■ HORIZON GROUP, the Michigan retailer announced that James Wassel, 46, is to be chief executive succeeding Ron Piasecki who will continue as vice-chairman.

■ CITIBANK in Australia said it has appointed Steve Norris to head its retail banking division. Norris, who is currently the bank's marketing director, replaces Brian Hanley, who resigned earlier this month.

■ DOW JONES' markets unit, formerly known as Telerate, named Debra Isenberg, 45, senior vice-president of marketing and Gregory Smith, 41, senior vice-president of content. Isenberg was a marketing vice-president with telecommunications group AT & T. Smith was chairman and chief executive of Indepth Data.

■ R.P.SCHERER of the US announced the appointment of Patricia McCullough to the position of vice-president, pharmaceutical sales and marketing, for its North American operation in Tampa, Florida. She joins Scherer from Schein Bayer, where she was vice-president, international marketing and business development.

■ LEITCH TECHNOLOGY CORPORATION of Toronto announced the appointment of Frederick Godard as president and chief operating officer. He was previously executive vice-president and chief financial officer. He joined Leitch in June 1995 as chief financial officer.

■ The ESBG (European Savings Banks Group) which represents 1,268 savings banks in 21 European countries, has appointed its new president, Rene Barberye, chairman of the board of the Centre National des Caisses d'Epargne (Cencep, France). He succeeds Horst Kohler, chairman of the German Savings Banks Association.

■ DANZAS, the Swiss-based freight international forwarding concern, has appointed Walter Lehmann as its Eurocargo division manager Switzerland as of August 1. Christoph Handschin, who headed the Eurocargo division during the past months, will take over management of Danzas' Region East.

■ ALMA MEDIA formed from the merger of Aamulehti-yhtyma and MTV, has appointed its first board after both companies' AGMs approved the merger. The board will be Pekka Ala-Pietila, Pirkko Alitalo, Bengt Braun, Matti Hakkinen, Pentti Kivinen, Bjorn Mattsson and Olli Reenpaa.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

CONTRACTS & TENDERS

GOVERNMENT OF THE REPUBLIC OF MACEDONIA

INVITATION FOR EXPRESSION OF INTEREST FOR CONCESSION ON HYDRO ELECTRIC PLANT "C E B R E N"

According to the Concession Law ("The Official Gazette" No. 42/93), the Government of the Republic of Macedonia intends to let the usage of the water, as a good of common interest, for the construction of a dam and hydro-electric power plant - "CEBREN".

The primary design made by EMO-Ohrid and feasibility study made by "Verbundplan" - Austria foresee the hydro-electric power plant to be located on the Crna Reka river, with coordinates: km 81 + 000 to km103 + 500. The plant should consist: an arc dam: a generating plant with appropriate equipment, an adequate accumulation reservoir and relevant transmission equipment.

The basic paramenters of the hydro-electric power plant are:

dam height	192.5 m
total accumulation volume	915 mil m^3
useful accumulation volume	555 mil m^3
installed flow	180 m^3
installed power	254 MW
average annual production/ generation	300 GWh

The main goals of the project are:

- Development of the Final Design
- Construction of the dam and the hydro-electric power plant
- Supply and Installation of Plant and Equipment
- Construction of infrastructure utilities

All interested parties are hereby invited to express their interest for the BOT project "Cebren"

The information on the potential concessionaires, following the written expression of interest should consist but not be limited to the:

- general information on the company (organisation)
- annual reports of the last three years (1994, 1995 and 1996)
- experience on projects of similar nature and complexity.

Written expression of interest may be submited by all interested parties from any country except ones being under sanctions of UN Security Council.

All information should be in English, and submitted in two copies.

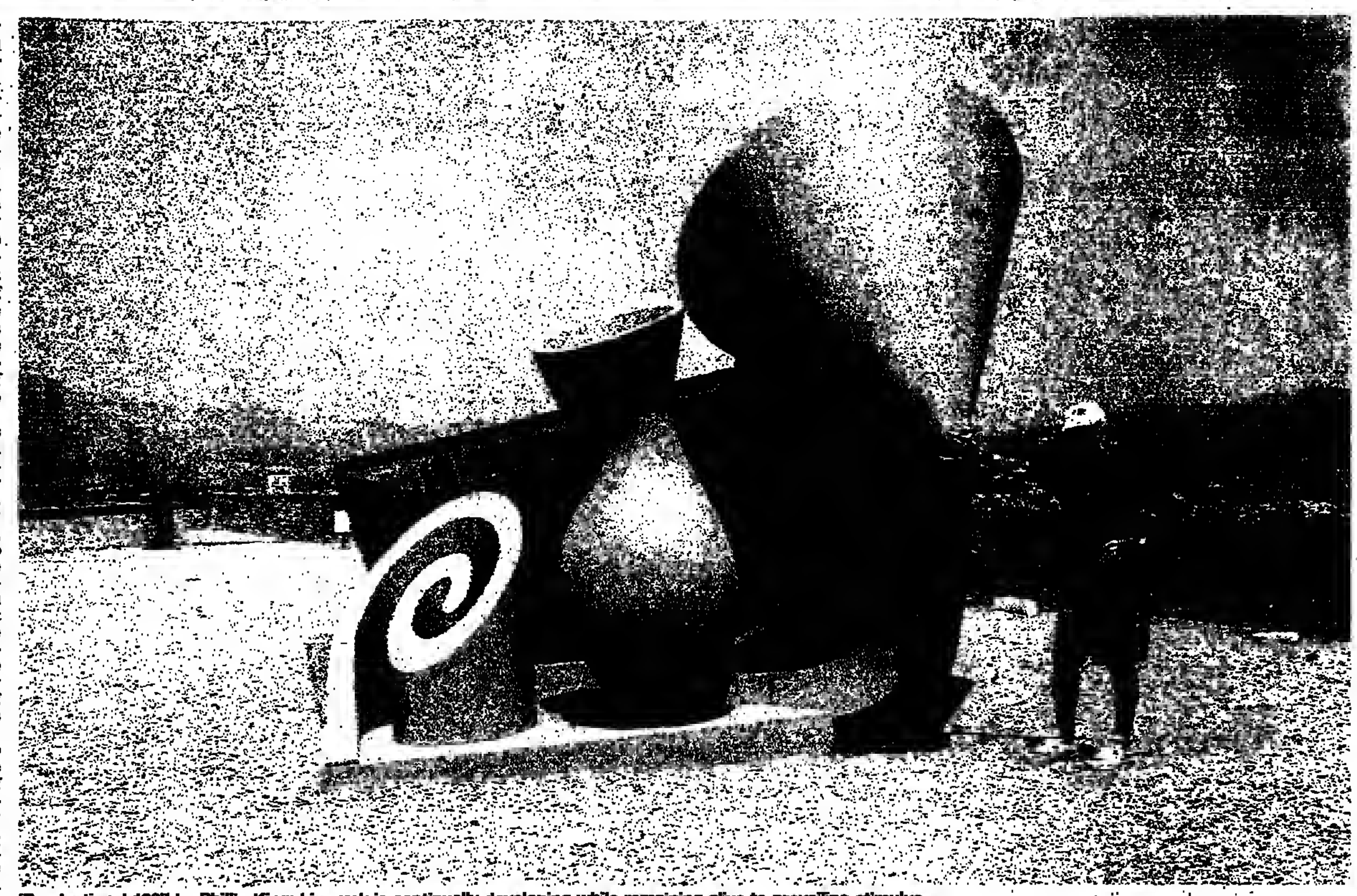
The documents should be sent to the following address:

Mr. Borce Ralevski, Undersecretary
The Ministry of Urban Planning,
Construction and Environment
14, Dame Gruev St., Skopje, 91 000 Republic of Macedonia
tel: +389 91 116 141 (+389 91 227 204) fax: +389 91 117 163
E-mail: gradba@unet.com.mk

All necessary information can be required in written form only, from the contact person given above.

The deadline for the submission of expression of interest is 15:00 hours on September 1 1997.

ARTS



'Ruminations' 1997 by Phillip King: his work is continually developing while remaining alive to prevailing stimulus.

Victory for age over conformity

A British sculptor has found a perfect setting to restore his reputation, says William Packer

Phillip King is only tha second English sculptor to bave been accorded the signal honour of a full retrospective exhibition at the 16th century Forte di Belvedere high above Florence – 25 years after Henry Moore, whose assistant King was in the late 1950s. With its easy transitions from the simple interior spaces of Ammannati's four-square citadel, out on to the broad terraces of Buntalenti's fortifications with their spectacular views across the city, there can be no better place than the Belvedere for the showing of sculpture – if the artist is up to it.

It is a test King passes handsomely. His show has a rightness about it, an inevitability, that convincingly affirms his right to be there. His sculpture, beantifully sited as individual works, comes together from first to last, all of a piece. We leave with a real sense of a reputation at once restored and enhanced. And yet, on first learning that King would be showing in such elevated circumstances, there was some feeling of surprise. Why King? Was be not just one of those 1960s artists, who has done little since?

Well, yes, he did come to prominence in the 1960s, one of the Naw Generation of sculptors that Bryan Robertson celebrated so memorably at the Whitechapel; and, no, be has done a great deal since. The problem is that he has been yet another victim of that enduring compulsion to fix artists by generation, and its consequent obsession with the young. There are few artists who escape altogether to survive unscathed in their senior reputations: Moore, of course, though even he had his douhtful patches; Caro; Paolozzi, perhaps.

So narrow a view is misleading and unfair. Just because King and his fellows were succeeded by such as Long and Flanagan, and they in turn by Deacon, Cragg and Woodrow, they by Kapoor and Wilding, they by Hirst, Whiteread and the brothers Chapman, does not mean that their work suddenly became uninteresting and unimportant.

King gives the lie to all that by demonstrating not just the continuing development of his work, but also how alive it has remained to current stimulus, even at times prefiguring what other, younger sculptors eventually might do. Is there not a hint of Rachel Whiteread in the white simplicity of his hlank "Window Piece" of 1961, or in tbe simple, divided, "Untitled" monolith of the same year? Does not his "Declaration", also 1961, with its discs, squares and crosses skewered on a central pole, anticipate Tooy Cragg by some 25 years? Is there not something of Anish Kapoor's concentrated sense of colour fixed as form and, even more than form, as place in King's "Genghis Khan" (1963) and "Rosehud" (1962).

It is indeed this intensified sense of a place, either marked or enclosed, that is the unifying characteristic of the work througbout. His material may change – wood, steel, clay, fibre-glass – and his method with it, now painting the work bright colours to deny its material nature, now celebrating that very nature in the raw. One moment be is modelling or carving, the next judiciously hammering and bolting the stuff together. But within all this exuberant variety, there is always the one ahiding theme.

In the early work we have tbe enigmatic totem or monolith, and then the secret tent-like spaces of the heraldic "Genghis Khan" or the more suggestive "Rosebud". In the late 1960s and early 1970s, come tbe brightly coloured open structures and compositions of discrete elements, spaces like groves or temples that we might enter, at least in the imagination, or actually move through. The later 1970s see the particular place as something again enclosed, redolent of cairns, menhirs and chambered tombs. These last, with their slate slabs set into wonky metal armatures, remain the most imaginatively potent of all.

And tben we are hack again with the totems and shrines, markers and open structures, that by the later 1980s bave acquired an openly figurative character: hands and heads, clouds and towers, houses and bridges, all brought together in forced and surreal perspectives. "Ubu's Camel" (1989), a tiny piece loosely modelled in clay, carries not a hump but a dome that harks directly back to those bright cone pieces of the 1960s, and the modelling itself back to King's work as a student at St Martin's in the 1950s.

The most recent work, much of it in fired clay, continues in this spirit of surreal combination, setting the recognisahle image against the amorphous form, playing tricks all the time with scale, colour, surface. King has nevar been more productivaly, mora gleefully at work.

Phillip King: Forte di Belvedere, Florence, until September 30. Organised by The Yorkshire Sculpture Park and the Commune di Firenze; sponsored by The British Council, The Henry Moore Foundation, Ente Cassa Risparmio di Firenze, supported by Assicurazioni Generali.

Return of the prodigal son

Richard Fairman on EMI's centenary gala performance

For thosa who want to discover what the world's oldest record compaoy bas achieved in the last 100 years, EMI's travelling roadahow has reached Canary Wharf in London's Docklands. The exhibition, "Sights and Sounds of the Century", will stay there until early next year.

In the meantime, EMI is carrying on its celebrations with live concerts featuring its current crop of recording stars. The company has always made classical music a priority – Maria Callas alongside The Beatles in the 1960s, today Simon Rattle rubbing shoulders with the Spice Girls – so a centenary gala concert was an obvious choice.

The venue was Birmingham, the date last Saturday, and it was naturally an all-EMI affair. Simon Rattle and the City of Birmingham Symphony Orchestra are the company's number one orchestral team at the moment and the soloist for the evening was Nigel Kennedy, its top-selling violinist, making a well-timed return to playing in public after five years of self-imposed early retirement.

They performed Elgar's Violin Concerto, the work which first hrought Kennedy to notice on record. It was an emotional and expansive performance (ironically a long way from the famous Menuhin recording with Elgar himsalf conducting, which is one of EMI's early treasures).

Kennedy likes to take his time with the music these days and Rattle was always there with him, stretching the music's axpressive potential in the slow passages and then winding it up feverishly when the tempo quickened. This was a performance that lived for the moment and so it will be interesting to see how it stands up, wben Kennedy completes his second recording of the concerto, following this concert.

As a performer, he is still a law unto himself. Not many people manage to give an encore before they have even started, but Kennedy offered one piece of Bach before the concerto and another after – so as not be "xenophobic".

It was a very English programme otherwise. There was an ear-splitting performance of Walton's *Belshazzar's Feast*, with the comhined CBSO and Cleveland Orchestra Choruses, at the end and earlier we had heard the premiere of Mark-Anthony Turnage's *Four-Horned Fandango*, a 14-minute orchestral showplece reminiscent of Ravel's *La Valse*. Out of dark, deep rumblings emerges a fandango, which rises to a forceful climax punctuated by a battery of percussion instruments and then subsides, leaving its rhythm echoing high in the violins. The overall design of the work is strong, hut it seemed to lack characteristic ideas.

Next stop oo the EMI centenary itinerary: the Royal Albert Hall on October 14, when the London Symphony Orchestra will give the premiere of *Standing Stone*, a new symphonic work for choir and orchestra by Sir Paul McCartney.

Concert given in aid of the Music Sound Foundation.

Blues / Antony Thorncroft

A feel-good conversion

Please welcome the King of the Blues". A few years ago you never quite knew which guitar-cradling King would appear on stage. It might be funky Albert King, or frenzied Freddie King, or perhaps the original Blues Boy – B.B. King. Now only B.B. is left, at 71 still continually touring the world, converting the blues into enlertainment.

It is a mission that Louis Armstrong performed for jazz and at the Royal Albert Hall last week there were remarkahle similarities between B.B. and old Satchmo. He joked and joshed his way through the set, the perfect gentleman, one mountainous feel-good factor, quite happy to let his jovial personality get hatween tha reverential audience and the music.

It was hard to be irritated. It would have been nice to hear more blues and less badinage, but a veteran is allowed to expand his personality along with his waistline, and to settle on a chair an hour into the act. For B.B. is the great bridge between the blues and pop, blending the electric guitar into his bottleneck Delta blues, and perfecting a free-flowing sound in which most notes are elegantly bent and given plenty of vibrato. If you want virtuoso hlues playing which is modern in style but genuine in delivery, B.B.'s the man.

So you must accept that he puts on a show, going through rituals with the soloists on avery number and introducing the band so frequently to the audience that they end up old friends. This cosy familiarity is at total variance with the blues, sad music personified, but it makes a chirpy show.

The stage business cuts back on the standards, but "Let the good times roll" featured, as did an affecting "Stormy Monday". B.B. never learned the knack of singing and playing at the same time so yon get sparkling solos followed by heart-felt singing, with a voice that is becoming as high and garbled as Armstrong's.

Really, the blues belong in dingy Chicago clubs not tha Alhert Hall, and the attempts at a set, with a light show flickering on a backing acrean, were pathetic, but the man who wrote tha most poignant, the truest, most bonest love song ever for the guitar, "The thrill has gone", can get away with anything.

Theatre

Irony in the ordinary

The latest offering by *Stephen Daldry* at the Royal Court, *This Is o Chair*, is a characteristically forceful essay in manipulation. Although very brief – announced as 20 minutes, though it feels longer – it manages to be both ironic and pretentious. The author is Caryl Churchill, but tha show feels more Daldry's than hers.

Daldry is the least self-effacing of directors. Nobody who bas seen a few of his productions will be surprised to find that, in this one, the audience sits on the stage, the action takes place in the anditorium, the actors work very hard to show that they are acting, and, in between episodes, large headlines are projected on to a ganze which is suspended across the dress circle. It is all by way of stamping the piece "*Directed by Daldry*". (And, as usual, "Designed by Ian McNeil.")

There are eight episodes to *This Is o Chair*, none of them good. The chief irony lies in the fact that the action and words are mundane and, more or less, domestic – while the headlines are major news stuff: eg. "The Labour Party's Slide to the Right", "Genetic Engineering". If there is meant to be any subcutaneous connection between headline and scene, it is not interesting; the lack of connection seems to be the point, but that is not interesting either.

The scene announced as "Hong Kong" is technically the most complex: a conversation between two gay men and the new lover of one of them, in which the lines are (a) fragmented; (b) non-consequential; and (c) accompanied by contradictory gestures. Big deal. An episode in which a father, mother and daughter watch TV and the father puts pressure on the child to eat her dinner is played twice, once as "Pornography and Censorship", once as "The Northern Ireland Peace Process". Dramatic irony has seldom been rendered more ohvious or more dull.

Some of our best actors are involved in this; most are encouraged to display aspects of tbeir techniqne; few appear to advantage. The first episode, "The War in Bosnia", begins with Linus Roache waiting – how he waits! and waits! – with a bunch of flowers; Amanda Plummer then runs on to meet him, and so exaggerates her effort to regain her breath that, before a word has been spoken, we have been clobbered by actorly effects. This scene is then reprised at the end, this time as "The Impact of Capitalism on the Former Soviet Union", with the same irritatingly over-emphatic acting. At the end the actors appland the andience; I did not return the compliment.

Alastair Macaulay

At the Royal Court Theatre Downstairs at the Duke of York's Theatre, WC2.

INTERNATIONAL ARTS GUIDE

BAD KISSINGEN

CONCERTS
Kissinger Summer Festival
Tel: 49-971807110
● Roberto Abbado conducts the Munich Radio Orchestra in a programme of arias, with soprano Gabriela Benácková and tenor Alfredo Portilla; at the Regentenbau; Jul 9
● Burkhard Glaetzner conducts Handel's Messiah; at the Stadtpfarrkirche Münnerstadt; Jul 10
● Bamberger Symphoniker: conducted by Gerd Albrecht in a programme of works by Tchaikovsky, Beethoven and Elgar; at the Regentenbau; Jul 11
● Barcelona Symphony Orchestra: conducted by Lawrence Foster in works by Gerhard, Shostakovich, Elgar and Mendelssohn; at the Regentenbau; Jul 12

CHELTENHAM

CONCERTS
Cheltenham Festival
Tel: 44-1242-227979
● Sundsvall Chamber Orchestra: conducted by Niklas Willen in works by Rossini, Lindgren, M Hayden and Beethoven; at the Town Hall; Jul 10
● BBC Symphony Orchestra: conducted by Markus Stenz in *Brahms' Symphony No. 2 in D*, a new work by Hoyland and Mahler's *Songs of a Wayfarer*; at the Town Hall; Jul 11
● Orchestra and Choir of the Age of Enlightenment: in works by Bach and a specially-commissioned work by Betty Roe; directed by Paul Nicholson, with soprano Ruth Holton and bass Peter Harvey; at the Town Hall; Jul 12

OPERA
La Bohème: by Puccini, performed by the European Chamber Opera; at the Everyman Theatre; Jul 8, 9, 12

DROTTNINGHOLM

OPERA FESTIVAL
Drottningholms Slottsteater
Tel: 46-8-4570600
Euridice: Swedish premiere of Jacopo Peri's opera. Produced by Karl Dunér, and designed by Peder Freiij, with the Drottningholm Theatre Orchestra conducted by Jakob Lindberg; Jul 8, 9, 11, 12

GRAZ

CONCERTS
Styriarte Festival
Tel: 43-316-825000
● Der Graf von Gleichen: its libretto banned by the censor, Schubert's last opera remained unfinished. By piecing together the fragments and filling in the gaps, contemporary Austrian composer Richard Dünser has created a finished piece, performed here by the Graz Philharmonic Orchestra conducted by Andreas Stoehr; at the Stefaniensaal; Jul 12
● Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in the complete Brahms symphonies, presented as a cycle for the first time, as the Beethoven and Schubert symphonies have been presented here in the past. Symphonies 1 and 2 are performed on 4th and 9th; 3 and 4 on 7th and 10th; at the Stefaniensaal

LONDON

CONCERTS
City of London Festival
Tel: 44-171-638-8891
● Bernstein: *A White House Cantata* – Kent Nagano conducts the London Symphony Orchestra in Bernstein's reworking of the score of his unsuccessful musical, *1600 Pennsylvania Avenue*; at the Barbican Hall; Jul 6
● Chilingirian Quartet: with soprano Patricia Rozario in works by John Tavener and Arvo Pärt; at The Priory Church of St Bartholomew The Great, West Smithfield, EC1; Jul 9
● *Monteverdi Vespers (1610)*: William Christie conducts Les Arts Florissants in the festival's closing concert; at St Paul's Cathedral, EC4; Jul 10

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: *Swan Lake* – casts vary; Jul 11, 12
● *The Kirov Ballet: Don Quixote* – a highlight of the month-long season, with choreography by Petipa; casts vary; Jul 8, 9, 10

Royal Opera House
Tel: 44-171-304 4000
The Royal Ballet: mixed programme includes Twyla Tharp's *Push Comes to Shove*, William Forsythe's *Steptext*, and *Symphony in C*, choreographed by Balanchine to music by Bizet. The final performance will be the last ballet at Covent Garden before the theatre closes for renovation; Jul 9

OPERA
Royal Opera House
Tel: 44-171-304 4000
Simon Boccanegra (1857): British stage premiere of this, the original version of Verdi's opera. Mark Elder conducts, Ian Judge directs. Sergei Leiferkus, Plácido Domingo and Kallen Esperian star; Jul 8, 10

NEW YORK

CONCERTS
Lincoln Center Festival 97
Tel: 1-212-875 5030
● New York Philharmonic at the Avery Fisher Hall. Conducted by Kurt Masur in the first of three programmes celebrating the music of jazz maestro Ornette Coleman, whose octet Prime Time joins the orchestra in a performance of *Skies of America*; Jul 8, 9
● Ornette Coleman with Charlies Haden and Billy Higgins plus guests, at the Avery Fisher Hall; Jul 10
● Ornette Coleman and Prima Time with dancers, rap and video artists in a special expanded version of *Tone Dialling*; at the Avery Fisher Hall; Jul 11
● *New York Philharmonic* at the Avery Fisher Hall. Kurt Masur conducts a programme of works by Henze and Wagner. With soprano Deborah Voigt; Jul 12

THEATRE
● Les Danaïdes: US premiere of Silviu Purcarete's reconstruction of Aeschylus' 470 BC tetralogy. Performed in French with English supertitles; Damrosch Park, 62nd St near Amsterdam Ave; from Jul 8 to Jul 20
● Woza Afrika: After Apartheid – four different programmes of South African township plays. Presented at the John Jay College Theater and LaGuardia Theater; from Jul 8 to Jul 27

PARIS

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Sylvia: the Opera Ballet performs a new version, with fresh choreography by John Neumeier, to music by Delibes; Jul 8, 9, 10, 11, 12

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Rigoletto: James Conlon conducts Jérôme Savary's staging of Verdi's opera, with sets by Michel Lebois; Jul 8, 11
● Manon: by Massenet. Musical director Gary Bertini presides over a staging by Gilbert Deflo, with *designs by William Orlandi*; Jul 10, 12

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Jul 11
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Until July 9 the conductor is John Crosby, when Christopher Larkin takes over.

SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
The Camerata Academica Salzburg: performs a programme of works by Mozart and Schubert, conducted by Jordi Savall; at the Schloss, Kiel; Jul 6

OPERA
Moses and Aron: by Schoenberg. Co-production between Oper Leipzig and the National Theater Weimar, in a staging by George Tabori; at the Staatsoper, Hamburg; Jul 9

WORLD SERVICE
BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

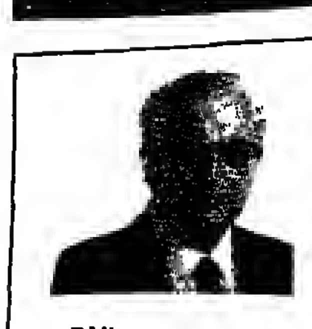
17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

16.00
Financial Times Business Tonight



Martin Wolf

The case for higher rates

Although he risks being branded an inflation 'nutter', Eddie George would be right to raise interest rates by at least a half-point to curb consumption

Dear Eddie,

You have always longed for independence for the Bank of England. Now you have your heart's desire. Do you already regret it? The judgmeot you and your colleagues on tbe monetary policy committee are being asked to make is difficult and painful. But you should take heart at your meeting this week and raise interest rates by at least half a percentage point, ideally more.

Few people have the opportunity to relive their history with the chance to put things right tbe second time. You will remember the occasion, almost exactly a decade ogo, wben Mr Nigel (now Lord) Lawsoo decided to sbadow the D-Mark. Mooetary policy was tben aimed at keeping the pound's exchange rate below DM3 – intriguingly close to where it is today.

In his memoirs, Lord Lawson remarked that "the only objection any official raised to sbadowiog tbe Mark came ... from Eddie George in the autumn of 1987. This was partly because he did not like fighting the market, but also because Margaret Thatcher bad been getting at him. To be fair, he did worry about domestic inflationary pressures more than most other officials at the Treasury or the Bank."

From May 1995, there was agaio a divergence betweeo tbe Bank's view of the inflationary prospects and those of a Tory chancellor, this time Mr Kennetb Clarke. The public found the "Ken and Eddie show" great fun. Most observers judged you the loser. In fact, you were right. The only reason Mr Clarke's inflation target has beeo bit is the extraordinary appreciation of sterling: tbe trade-weigbted exchange rate rose 23 per cent between early August of last year and tbe day after last week's Budget.

Sterling's appreciation to what most people agree is an overvalued level creates two big problems: one is tbat its durability is unknown; the second is that it inflicts all the burdeo of disinflation on activities exposed to international competition. Foremost among these is manufacturing, whose output in May was up just 1.7 per cent since the previous year and 3.3 per cent since 1990.

Very large and unpredictable swings in the profitability of tradeable goods and services increase the riskiness of long-term investments in product- and market-development. The obvious solution is more active use of fiscal policy. But this raises three objections: the difficulty of timing fiscal action; the unpredictability of its impact on the exchange rate; and the scala of the needed action. Mr Gordon Brown did not even try: the net impact of the tax changes in his Budget on consumption in 1998-99 was a mere £1.4bn – less tban 0.2 per cent of gross domestic product.

The dilemma you confront is acute. One obvious point is that retail price inflation is now too high. It is expected to be 2½ per cent at the end of this year, but 2¾ per cent at the end of 1998. This is far from comforting after an appreciation of tbe exchange rate that left producer input prices in May 7.7 per cent below a year before.

Worse, the Treasury forecasts the growth of consumers' expenditure at 4¼ per cent in 1997, followed by 4 per cent in 1998, and the growth of fixed investment at 5 and 6 per cent, respectively. Since it believes the output gap has already disappeared, such growth rates would appear inconsistent with stable inflation. Its view of the output gap is credible: capacity utilisation seems tight, though the evidence on skilled labour shortages is more mixed.

The reason inflation prospects are not worse is what is expected to happen to government consumption and the current account. Astoundingly, the present government has signed up to a fall of ¼ per cent in government consumption this year in real terms, followed by a further fall of 1 per cent in 1998. The Treasury also forecasts a deterioration in the current account of ¾ per cent in 1997 and another ¼ per cent next year. The net result is that GDP is forecast to grow 3¼ per cent this year, but only 2¾ per cent in 1998.

This is apectacularly unbalanced growth. Excluding cyclical social security and welfare-to-work apending, public spending is expected to fall slightly between this financial year and 1998-89, because of a higher than previously forecast rise in inflation. This looks untenable. Similarly, the deterioration in the current account, albeit welcome relief now, is unsustainable in the longer run.

As the current account deteriorates aterling is likely to weaken. Unlike in 1992, such a depreciation would fall not on an economy with copious excess capacity, but one with very little, if any. If inflation is not to soar, the growth of consumer spending must slow sharply before sterling weakens. Yet it is far from obvions why it should. Indeed it is easier to envisage its continuing to grow very rapidly.

Consider tbe forces behind consumption.

- Real take-bome pay has risen by around 3 per cent over the past year, while the workforce in employmeot also rose by 1.4 per cent in the year to the first quarter.
- House prices were np 11 per cent in the year to June, according to the Nationwide Building Society.
- Building society and insurance windfalls are expected to equal £37bn – some 6½ per cent of annual disposable income.
- And broad money is growing at around 11 per cent a year, the highest rate among the Group of Seven leading industrial countries.

Encouraged by greater wealth and the rise in house prices, still only at long-run average levels in relation to earnings, households may cut their savings from 12 per cent of disposable incomes last year, not towards the 8¾ per cent forecast by the Treasury for 1998, but to the 6 per cent seen in 1988. Such a decline would add hugely to consumer spending.

Not only should inflation now be lower than it is, but you at the Bank cannot assume that growth of consumer spending will fall smoothly back to 3 per cent. Yon cannot rely on the exchange rate's remaining strong forever and you cannot be sure the government will be able to stick to its tight targets for spending. So you must slow the consumer down, taking into account the long lags between changes in interest rates and spending.

The serious question is not whether monetary policy should be tightened, but how sharply. One point is that the later you leave substantial further tightening the greater it will probably have to be. There are two further arguments against dribbling ont quarter-point increases in the base rate over the months to come.

First, the effect on consumer confidence is likely to be greater with more decisive action. Second, the spike in the exchange rate is also likely to be briefer. This would be helpful to producers since a long period of exchange-rate overvaluation would be more damaging – because more difficult to hedge against – than a short one, however extreme.

Your critics already believe you are an inflation "nutter", so you might as well ignore them. Your job is perfectly clear: to keep inflation at 2½ per cent a year. That means acting to halt the consumer boom before it is too late. The required action – base rates up to at least 7 per cent – will be deeply unpopular. Bnt the sooner and more decisively you act, the sooner rates can start to come back down again.

Tell your critics it's all the fault of Ken and Gordon.

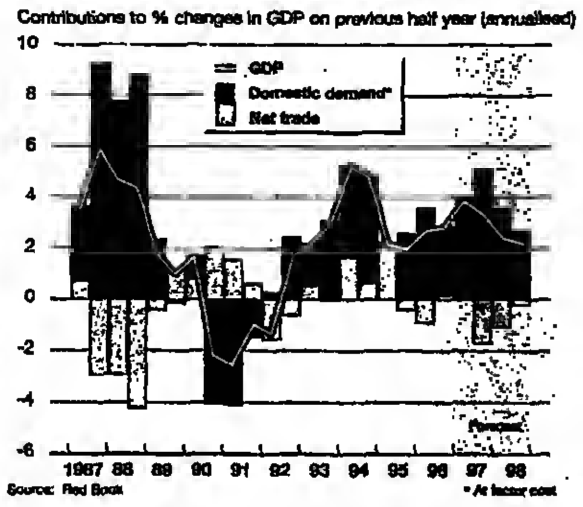
Best of luck,

Martin.

E-mail: martin.wolf@FT.com

A return to unbalanced growth

Contributions to % changes in GDP on previous half year (annualised)



Source: Red Book

* At factor cost

LETTERS TO THE EDITOR
Number One Southwark Bridge, London SE1 9HL
We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com
Published letters are also available on the FT web site, http://www.FT.com
Translation may be available for letters written in the main international languages.

Money lost was very real to those who marched around chanting

From Mr Jan Harrington.

Sir, I believe Robert Chote, in his article "The reality of money illusion" (June 30), chooses a totally inappropriate target in the people who marched around chanting "give us back our 11 days". These people had no illusions about money, they were very concerned about very real money in the lost days. They paid rent for the land they used, or the tools they rented or the accommodation they occupied on a *quarterly basis.*

They were given no reduced rate for the July 1 to September 30 quarter thet was 11 days shorter than usual, although they actually had the use of the tools, land or accommodation for 11 days fewer than usual. But, they were paid on a daily (or equivalent piece-work) basis for the items they produced, or the crops they brought to market. They experienced real financial hardship through being forced to pay a full quarter's rent, while having the opportunity to earn only a short quarter's worth of income.

If Mr Chote has ever paid for a full month's season ticket on a transport system, only to find the system inoperable (for example, by a strike) for 11 days, I think he will appreciate the reality of lost money that the "give us back our 11 days" crowd felt – and I would think he would feel highly aggrieved if the transport system did not offer an appropriate refund of his 11 days' worth of payment for unused travel.

Jan Harrington,
PO Box 746,
New York, NY 10116,
US

Narayanan deserves highest office

From Mr T.R. Rustagi,

Sir, Re your article "Untonchable goes to the top in India" (June 24), Mr K.R. Narayanan's elevation to the highest office in India is certain given the support already announced by the leading political parties. But it would be most unfortunate to attribute this to his being a Dallit (oppressed).

Indeed it is an offence and insult to a person wbo has excelled himself throughout: in academics, as a career diplomat, vice-chancellor of a university and later as vice-president of India. It was decades ago thet, impressed by his brilliance and supreme qualities, Professor Harold Lasky predicted a great future for him.

It is regrettable that the political parties in India see Mr Narayanan's candidature more as a political gesture to serve their motives than as a reward to the most deserving.

T.R. Rustagi,
SD-84 Tower Apartments,
Pitampura,
Delhi-110034, India

Bulgaria's exchange rate fixed to Germany

From Professor Steve H. Hanke.

Sir, Your editorial, "Sofia's choice" (July 3) incorrectly labels Bulgaria's new exchange rate as a pegged rate, similar to the one that was employed until recently in the Czech Republic and Thailand. Exchange rates come as: floating, absolutely fixed and pegged. Floating and absolutely fixed regimes appear to be quite different, but in reality they are both free-market mechanisms for international payments. A pegged rate is not.

A pegged regime is an interventionist system. It requires a central bank to manage simultaneously its currency's exchange rate, the domestic liquidity and the capital account. This is a tricky, if not impossible, task. A pegged rate results in contradictory policies that invite a speculative attack. When under siege, a peg cannot last unless interest rates are raised sky-high or foreign exchange controls are imposed. Predictably, the landscape is littered with pegged regimes that have blown up: the ERM (1992 and 1993), Mexico (1994), and, most recently, the Czech Republic and Thailand.

As of July 1, Bulgaria has an absolutely fixed exchange rate (of Lv1,000 per D-Mark). The credibility of this rate is enhanced by Bulgaria's currency board-like system in which the lev is backed by a minimum of 100 per cent D-Mark reserves and is freely convertible into D-Marks. Consequently, Bulgaria no longer has an independent monetary policy, and is part of a unified currency area with Germany.

Bulgaria has more than its share of economic problems, but thanks to its currency board-like system, its exchange rate regime is not one of them. Indeed, thet regime should force the authorities to start making soma correct choices.

Steve H. Hanke,
professor of applied economics,
The Johns Hopkins University,
Baltimore,
Maryland 21218-2686, US

Personal View • Nicholas Stern and Joseph Stiglitz

New role for government

The market revolution has created different obligations for the state

The market revolution of the past 20 years has forced a redefinition of the role of government. It is now well recognised that the market can and should prodoce many goods and services previously seen as the prerogative – indeed the obligation – of government: telephones, coal production, enforcement of parking regulations and so on. In this basic sense there has been a dramatic reduction in the size of government perceived as necessary.

Bnt the fundamental changes in the way sucb goods and services are provided place a new set of obligations on government. It now has an obligation to ensure tba new market mechanisms function efficiently and fairly. In many cases this involves far more than the vital governmental tasks of regulation and of imposing trading standards. The restructuring of government to support and embrace the market requires the creation of basic partnerships with the private sector, a reappraisal of where and how the public and private sectors can make their strongest contributions, and new institutions – including legal structures –. to ensure that contracts are enforced.

Further, it involves the promotion of *behaviour*, in both the public and private sector, consistent with a well-functioning market economy. The government should lead by example and by required practice in terms of openness and transparency in decision-making and the absence of arbitrary actions.

Such behaviour may be embodied in laws, concerning disclosure, insider trading or fraud, to be observed for both public and private activity. Government behaviour is itself a vital element. Only by building these partnerships and institntions and by establishing this type of behaviour can the conditions for efficient markets and long-term investments be constructed.

Thus, although the transition from a command to a market economy, or indeed the enhancement of the market in a developed or developing country, must involve limiting the ambitions of the state, this does not entail a weakening of the state. A redirection and limiting of governmental activities is required, but what government does it must do well if the market revolntion is to deliver its potential.

Public-private partnerships will be a crucial element in most of the areas where markets are being introduced or expanded, including in education, bealth and pensions (whicb together, in many economies, account for well over half of government expenditure). Without the active participation of the state in keeping track of individuals and enforcing repayment, for example, the loan systems that can underpin effective markets in higher education are likely to have unacceptably high costs of administration and enforcement.

The government has a comparative advantage in following citizens over time and anforcing payment through tax or social security systems. In health, the participation of governments can enhance efficiency in reducing transaction costs. Many private fee-for-service systems are beleaguered by bureaucratic tracking of individual cost items at a detailed level.

On the other hand, there must be transparent and effective accounting within a public system if it is to function well and not become a vehicle for the misdirection of public funds. The economic costs of healthcare and the rapidly expanding opportunities for improved treatment – often at high costs – make it vital thet true costs are recognised and that resources are efficiently used. Market mechanisms, working through incentives, must be a central part of such a process.

> The government has a comparative advantage in following citizens over time and enforcing payment through tax or social security systems

The design of the market is crucial if the public-private partnership elements of the system are not to sink under the weight of management and bureaucracy. The starting point should be an analysis of demand and the design of cost-effective and responsive supply. This should drive the system, not dogma of either the public or private variety.

Similar issues arise with pension systems. The blend of public and private provision, operating together, is crucial. Private pensions can be well tailored tn the demands and needs of individuals and families and provide appropriate incentives and reward structures. But private scbemes are sometimes opaque, mis-sold, fraudulent or saddled with heavy administrativa and selling costs.

The public sector is well placed both to provide the tracking over long periods of time that is at the heart of any pension scheme and to avoid the heavy costs associated with detailed classification of risk – for example the genetic likelihood of someone developing heart disease. In many cases it will not be able to, and should not, shirk the responsibility for supporting the impoverished and elderly wbo might slip through the private net.

The new policies, partnerships, institutions and allocations of responsibilities will not by themselves produce effective governance for the world being created by the market revolution. Critical too will be tbe behaviour of participants, wbether these are governments or quasi-independent or private bodies.

The definition of responsible and acceptable behaviour in a market economy is not straightforward. In developed market economies the understanding of and development of these rules has been a long process.

It must be achieved much more rapidly in economies in transition. Obstacles to investment and growth arising from their slow development of appropriate standards of bebaviour are already in evidence. Until those standards are there, efficient and long-term private investment will be stunted. If there is constant interference and unreliable behaviour from the authorities – or indeed extortion – the benefits of the market cannot be realised.

Public-private partnership should never be confused with collusion between special interests and government at the expense of the public interest. The establishment of standards for private and public sectors in a market economy is a complex process. But we know that, at a minimum, it requires structures of taxation, regulation and expenditure that are simple, transparent and with limited scope for discretion. It also requires effective rewards and penalties for both private and public agents. A free and vigilant press and access to information must play their role.

Building these standards is a long-term task of vital importance. It will have to be largely "home-grown", the work of individual governments and societies. Nevertheleae, international organisations and companies have moch to contribute, both by example in their nwn standards and those they require of their partners. Only through co-operation will it be possible to develop the institutions necessary to underpin, enforce and promote the kind of public and private behaviour that are essential for the proper functioning of a market economy.

Mr Stern is chief economist of the European Bank for Reconstruction and Development. Mr Stiglitz is chief economist at the World Bank. The article is based on their chapters in Development Strategy and Management of Market Economy, a collection of essays by Edmond Malinvaud and others to be published later this month (OUP)

هكذا من الاصل

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday July 8 1997

A watershed in Mexico

Mexico's mid-term elections last Sunday marked e true wetershed on its rocky road to democracy. For the first time this century, Mexico will have a Congress in whicb the president'e party has lost its majority, and a capital run by an opposition politician.

The positive early reaction in the financial markets – a rising stock market, e stronger peso and lower interest rates – strongly suggests that investors' worst immediate fears about the elections have not been realised.

The reaction is rooted in reason. For the first time, the elections bave been largely judged as fair by all participants, and violence has been limited. The public comments by President Ernesto Zedillo and Mr Cuauhtémoc Cárdenas, the mayor-elect of Mexico City, have also been dignified, representing e good start to the new order.

Lastly, investora beve assumed thet they have no more to fear from Mexico's opposition parties tban they have from Mr Zedillo's Institutional Revolutionary Party (PRI), particularly given the latter's populist instincts and its recent tendency to disagree with the president.

Still, many big questions remain about how Mexico will be run in the three years until the presidential election in 2000. Tbe coming months may be tricky: the new Congress does not sit until September and the new mayor of Mexico City takes office only in December.

Cobabitation is new to Mexico. There is also the possibility of legislative stalemate in whicb the administration fails to push critical proposals – for example, its budget – through the Congress. If this led the president to assume wide emergency powers, it would be a backward step in the march to democracy. To avoid this, the president and his cabinet will have to get used to building a consensus with legislators from their own and other parties.

Just as important, the opposition parties will have to play e constructive role. Sunday's vote should be interpreted as e sign the electorate wants the opposition to have e role in government. This means that knee-jerk opposition to edministration proposals will not be satisfactory.

The reaction of the PRI is just as important. Its defeat was significant, but it remains the largest party. Its candidates cannot be ruled out of the election in 2000, particularly if the current economic recovery continues. But the PRI needs to continue its own process of reform and turn itself into a modern political party.

The biggest losers in Sunday's elections were the PRI traditionalists who would like to see the country step back towards the euthoritarian ways of the past. The defeat of important party hard-liners in various states, combined with the recent death of the trade union chief Fidel Velázqnez, have together dealt a serious blow to the people Mexicans call "the dinosaurs". Yet these traditionalists still heve enormous influence.

Important risks thus remain that investors would do well not to ignore. A full democracy probably will not emerge until a president is elected from a party other than the PRI. None the less, Sunday's elections increase the chances of a peaceful democratic transition.

Foolish aid

French politicians seem almost to cnjoy taking money from taxpayers to rescue imprudent companies – as if it were a patriotic duty to insulate bosses from market pressures. The latest attempt to siphon taxpayers' funds into SGS-Thomson is particularly objectionable for two reasons. First, the proposed Ecu 16m ($20.34m) handout to the Franco-Italian maker of semicondnctors is dubiously disguised as aid for research. Second, the company is very successful, has a good innovation record and should be able to compete without drip feeding.

Mr Karel Van Miert, Europe's competition commissioner, robustly dismissed the claim that the grant was for research and disallowed it under EU competition rules. He was right to do so. The EU is spending some Ecu 13bn between 1994 and 1998 on aid to improve co-operative research. There is a strong riek that edditional handouts by governments will be aimed at giving national champions an unfair advantage – particularly when definitions of "research" are stretched by patriotic indulgence.

This logic did not appeal, however, to Mrs Edith Cresson, the research commissioner and a former French prime minister. She scraped up an alliance with Italian and German commissioners and managed to stall the decision last week. This was a depressing example of the way in which competition policy is too often politicised in Brussels. It is particularly ill-timed, given the EU'e furious objections, in the context of the proposed merger of Boeing and McDonnell-Douglas, that the US unfairly subsidises civil aircraft manufacturing through military R&D programmes.

Longer-term, the SGS-Thomson incident augurs badly for Mr Van Miert's campaign to reverse the continuing increase in etate aid to industry. At around Ecu 43.6bn annually, such aid now rivals the cost of the Common Agricultural Policy. Most of it is accounted for by the EU's four largest members, not by its neediest ones.

State aid may be popular for hard cases, but they make bad law. If each nation tries to prop up industries at the expense of neighbours, tbey will all be rewarded by high prices, poor service – and higher unemployment.

Mrs Cresson and her supporters in the commission should think again. They need to understand that in such questions charity begins ebroad.

GEC's choices

When Mr George Simpson, chief executive of GEC since last September, reveals his strategy todoy, its reception will be shaped by his success in escaping the structural straitjacket he inherited.

But Lord Weinstock, his predecessor, did not choose the group's shape on a whim. His actions reflected the pressures faced by companies of GEC's type in many European countries, as they lose their role as national champions under the pressures of globalisation.

Lord Weinstock's solution was to play for time, and for scale. As a result, many of the company's most important assets are locked away in joint ventures in power engineering, transport and telecoms equipment. These have a scale and scope they would lack had they remained purely British. But GEC directly manages none of them, greatly limiting its ability to shape its own future.

Like any incoming chief executive, Mr Simpson must cope with his predecessor's decisions. But he must also cope with the difficult circumstances which gave rise to them. In the short run, bc seems likely to take some obvious steps: seeking to free himself on acceptable terms from both big joint ventures; focusing the group on activities it directly manages; and building up the most promising of these. In the medium term, he must solve the intractable puzzle of the European defence industry, balancing the appeal of cross-border European link-ups against the possibility of creating a single strong British defence company, in a merger with British Aerospace.

In the long run, the task is harder still: to create a coherent, centrally managed husiness of global scale, drawing on shared resources of technology and skills. Many of the ingredients of such a company exist within GEC. Bot combining them fruitfully will require a commitment to patient, long-term daily management, without a guarantee of success.

It would not be surprising if GEC's ahareholders were to press instead for a rapid programme of divestment. But it would be a pity if the desire for certain gains prevailed over the opportunity to create a coherent world-class industrial group. Mr Simpson must sketch out such a vision, then persuade his colleagues and shareholders that he can achieve it. It is against this yardstick that today's announcement ebould be judged.

When two is a crowd

The independence of Peugeot-Citroën and Renault may be a luxury France can no longer afford, writes Haig Simonian

For a country boasting 2,000 wines and 200 chesses, two carmakers may not seem excessive. Yet for some of their rivals, the continued independance of Renault and Peugeot-Citroën is a luxury France can no longer afford.

The companies suffer from two big disadvantages. Although both produce a full range of vehicles – from Renault's tiny Twingo to the voluminous Citroën XM station wagon – they find it difficult to compete with bigger, full-range manufacturers, such as Germany's Volkswagen. And both French groups are too concentrated on their domestic market at a time when their rivals are expanding internationally.

The relative weaknesses of the Frencb groups have triggered calls that they should merge to create a single national "champion". Bnt, given formidable political and commercial obstacles in France to such a move, this will only happen, if at all, as part of a wider restructuring of the European motor industry in the face of yawning overcapacity.

"Size has become crucial for car companies in Europe," says Mr Nick Smee, motor industry analyst at JP Morgan Securities in London. He distinguishes between "survivors", such as Volkswagen, General Motors and Ford, and "strugglers" such as the French.

The French carmakers' handicaps of inedequete size and spread have surfaced with a vengeancb this year. The domestic market they dominate has gone into freefall after last September's expiry of government incentives to boost car sales. New car registrations fell by almost 24 per cent in the first six months of this year against the same period in 1996. Renault and Peugeot-Citroën have been worst hit, with combined sales down by almost 26 per cent.

Collapsing demand has pummelled pricing. "Price discipline, already crumbling at the close of the incentive scheme, has virtually disappeared," says Mr John Lawson, motor industry analyst at Salomon Brothers in London. Both companies are having to cut prices or add features to entice customers into the showroom in what was once their most lucrative market.

Exports have offered limited comfort. Although both Renault and Peugeot-Citroën have boosted sales to Italy, Spain and the UK, where demand is rising, their overall European sales remain under pressure. Renault's registrations dipped by 1.6 per cent to just under 561,000 in January-May this year and Peugeot-Citroën suffered a 6 per cent drop to 645,000.

Both French carmakers have pulled out of the huoyant US market in the past decade. And they have been unadventurous compared with VW, GM or even Italy's Fiet in fast-growing regions such as south America and eastern Europe. Althougb both companies are ective in Argentina, only Renault decided to build e plant in the much bigger and more vibrant market of Brazil last year. Peugeot's long-awaited Brazilian carbuilding project may not be unveiled until later this year.

Snch geographic weaknesses have hit profits. Last month, Mr Jacques Calvet, Peugeot-Citroën's chairman, warned of a possible loss this year. Red ink will come as no surprise to Renault's embattled shareholders. The company, partially privatised in 1994, lost FFr5.25bn (£520m) last year. It hopes to make money this year, but its shares, still 46 per cent government owned, are languishing well below their issue price.

Profitability in Europe is likely to remain under pressure as new, low-cost Asian brands euch as Samsung and Proton expand. Revitalised European rivals, notably VW, will make the going harder. But the biggest threat will come from the expiry in 1999 of the "gentleman's agreement" limiting Japanese car sales.

Mr Calvet and Mr Louis Schweitzer, his opposite number at Renault, beve etaunchly opposed liberalisation. Their objections have struck e chord among Frencb motorists: Japanese carmakers' share of the French market is well below that in Germany or tbe UK. Few believe the anomaly will last. "It is likely that once the Japanese are free to sell without restriction into France, their [market] share will gradually rise to levels et least similar to those in Germany," says Mr Victor Dial, a former Peugeot executive.

Size is the French carmakers' other weakness. Europe's motor industry is becoming polarised between larger manufacturers, enjoying significant economies of scale and able to negotiate big discounts from suppliers, and smaller, more specialised brands.

The Frencb fit neither bill. Renault sold 1.57m cars last year, while Peugeot-Citroën's two brands accounted for 1.76m. VW, by contrast, sold about 40 per cent more cars than the French groups combined.

Nor, in spite of innovative niche models, such as Renault's Mégane Scénic multi-purpose vehicle, can either French manufacturer consider itself a specialist like Germany'e Mercedes-Benz, which commands high margins to compensate for its disadvantages of scale.

Even "people carriers" and light commercial vehicles, the two nicbe markets where the French are relatively strong, will be squeezed as more manufacturers pile in. And the financial windfall the Frencb companies should reap this year from the strong pound and, to e lesser extent, lira – which should fatten margins on exports to Britain and Italy – will prove short-lived sbonld the French frenc strengthen as expected.

The deteriorating competitive position has triggered calls for redical action. This year, Mr Valéry Giscard d'Estaing, a former French president, added his name to those recommending a merger. Some industry analysts believe the chancee have improved with the arrival of two young executives from outside the motor industry at Renault and Peugeot-Citroën in the past two years.

Mr Jean-Martin Folz, a former boss of Eridania-Béghin Say, the Italo-French foods group, is expected to succeed Mr Calvet on retirement in September. Mr Carlos Ghosn is widely seen as a successor to Mr Schweitzer after being beadhunted from the US operations of the Michelin tyres group. Both bave wide international business experience and may be willing to implement more radical measures than the current bosses.

One option would be to build on the modest co-operation between the two companies. Renault and Peugeot-Citroën jointly produce some low-volume components, such as top-range engines and specialised gearboxes. This month, they unveiled e new automatic gear change.

But the chances of either executive being allowed to instigate meaningful reforms are thin. A phalanx of political, commercial and cultural barriers stand in the way of the French companies significantly expanding their joint ventures, let alone merging.

"Never, never, never, and definitely not with another Freoch carmaker," says Mr Calvet of a merger. "It would roll out the red carpet for imports." Mr Scbweitzer is equally adamant: "I think it's not et all a good idea. A merger would create enormous negative effects."

Mr Calvet uses tbe experience of huying the European activities of Chrysler of the US in 1978 to illustrate that acquisitions can be disappointing. Sales growth was below forecast, as many ex-Chrysler dealers defected to rival foreign brands. And digesting the deal was difficult internally. "It takes et least 10 years," be admits.

Politically, a marriage appears impossible because of the large job losses that would be required to produce the cost savings and economies of scale to justify it. "The social cost would be wholly unacceptable," says a Renault executive. Such political risk-taking, remote under the ceutious former right-of-centre government, is practically inconceivable under tbe Socialist-led coalition that took power after elections in June.

Even limited restructuring looks less likely now. Senior Socialists, led by Mr Lionel Jospin, the prime minister, have spoken out against even the modest pre-election redundancies announced by the two companies under their annual productivity-raising schemes.

More ominously, Reneult's decision to close its plant et Vilvoorde in Belgium from the end of this month has triggered a fierce political becklasb. But the likelihood of greater political interfereoce will deter both companies from making further tough, but essential, restructurings.

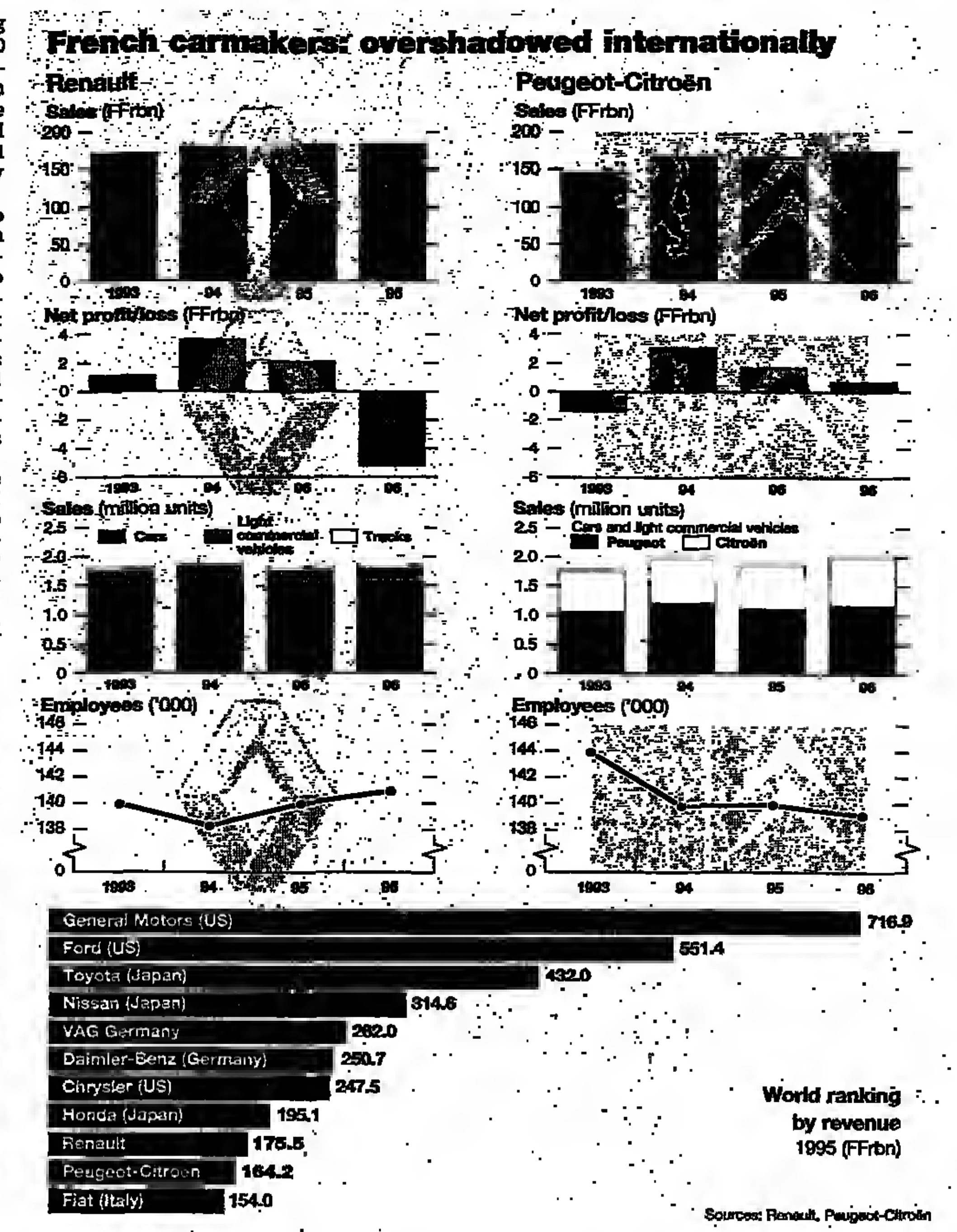
With a merger seemingly out of the question, analysts say the only long-term solution is to seek foreign partners. "The ideal partner would be complementary geographically and, as far as possible, in products [models], to minimise the overlap," says one analyst.

A link between Peugeot-Citroën and Fiat has been long mooted – and dismissed by both. The fit remains good: the Italian group's domestic dominance and expanding south American and eastern European sales would dovetail with Peugeot-Citroën's French focus.

Finding a match for Renault is tougher. Although the company almost merged with Volvo of Sweden in the early 1990s, it is in worse shape todey. Reneult is behind many rivals – including Peugeot-Citroën – in bringing down its wage and manufacturing costs.

Many analysts believe Renault would have to shed what they consider its marginal truck and bus division as a first step to the altar with anotber carmaker. Although prominent in France, the subsidiary is overshadowed by bigger rivals such as Volvo and Mercedes-Benz.

Mr Scbweitzer rules out any such surgery. He maintains Reneult will recover independently through cost-cutting and new models. But, in an industry characterised by chronic overcapacity and rising competition, tbet remains a minority opinion.



· O B S E R V E R ·

Neeman at the ministry

■ Israel's new finance minister Yaacov Neeman may be relatively unknown on the international scene, but he was no stranger to the late media mogul Robert Maxwell. As Maxwell's empire expanded in the late 1980s, he was introduced to Neeman, then as now one of Tel Aviv's most respected lawyers and well connected politically.

The owlish Neeman – his name means "loyal" in Hebrew – represented Maxwell in Israel from the tycoon's 1988 purchase of a stake in the daily newspaper Ma'ariv until his death in 1991 and even beyond: he secured the purchase of a burial plot in Jerusalem. This was quite a coup: for a Jew, the plot on the top of the Mount of Olives overlooking the Temple Mount was probably the most sought-after burial real estate in the world.

Apart from his short spell as justice minister, Neeman's last spell in the limelight was in 1990 when the Likud-led government appointed him to a three-man commission on the shooting of 18 Palestinians by Israeli border police in Jerusalem: the resulting report did more to fuel debate than settle the issue.

His Tel Aviv law firm Herzog, Fox and Neeman now has links with another media tycoon – it's representing News Datacom, the Jerusalem subsidiary of Rupert Murdoch's News Corporation, which is under investigation by Israeli tax authorities for alleged income tax evasion.

Opened forum

■ The European ministerial conference on global information networks got off to e bad start in Bonn yesterday by trying to ban the press from its opening session. It took a sit-in protest by journalists to convince the organisers to respect the freedom of information.

Journalists wanting to listen to the translation service then had to scramble around at the back of the anditorium to find the necessary handsets in an unmarked box.

As if that wasn't enough, there were discrepancies between the English and German texts of the opening address by Günter Rexrodt, Germany's economics minister. Missing from the English version was a section on encryption technology to protect the security of transmitted information, an area where Europeans' desire to bolster data protection and consumer confidence is at loggerheads with US worries about internet use by terrorists and other illegal organisations. Perhaps Germany is taking the encryption of information just a little too far.

Chu it over

■ A week into Chinese rule and David Chu, a member of Hong Kong's post-handover legislature who's bullisb about the future, is already laying down a challenge to doubters. Never one to shirk the limelight, the paragliding Harley Davidson enthusiast yesterday sent out 200 invitations for journalists to his "I told you so" lunch.

This event takes place at the territory's Furama Hotel et the end of June next year. The menu includes alphabet soup. The only question is: who will be eating their words?

Crowd control

■ The ex-communists currently running Poland must sometimes heave a nostalgic sigh for the old days. When pavements had to be filled with flag-waving citizens to greet a distinguished visitor, factory managers just loaded shopfloor trusties into buses and sent them to town.

US president Bill Clinton is in Warsaw on Thursday, and a large, cheering crowd is needed for the American TV networks to reassure Uncle Sam that the Poles really are keen on getting into Nato. Factory managers have been replaced by newspapers, billboards and radio publicity to ensure that 20,000 smiling faces greet the president in Warsaw's Castle Square.

As an added attraction, the hour before Clinton's open air speech will be enlivened by a slightly cacophonic musical warm-up – country music, Chopin, a saxophone quartet and an army band playing a medley of US and Polish popular tunes. We'll see if the carrot is as effective as the stick.

Plane economics

■ Thailand might have a special motive for implementing its contingency plan to airlift its nationals from Cambodia. Among the 642 Thais stuck in the troubled capital Phnom Penh is Virabongsa Ramangkura, the former finance minister, who is widely credited in Bangkok for advising Thai Prime Minister Chavalit Yongchaiyudh to go ahead with last week'e *de facto* devaluation of the baht.

Having argued for the new currency regime, Virabongsa is seen as one of the few people who can persnade the Thai government to implement the follow-up measures needed to keep the economy in some sort of order. The Thai air force may be abont to assume a vital economic role.

The Financial Times

100 years ago

No Peace In Uruguay
There have been e good many telegrams published in London to the effect that peace was about to to be restored in Uruguay, but peace has not followed. The latest news is that a Commission sent by President Borda to treat with the Blanco leaders has returned to Monte Video unsuccessful. To those acquainted with Sonth American affairs this sounds ominous. When revolutionary leaders, whose chief aim, presumably, is to taste the sweets of power, refuse to treat with a view to a compromise, it does not look as if they greatly feared immediate defeat. The outlook, indeed, is far from cheerful.

50 years ago

"Fly To Ireland"
Advertisement: "If you're holidaying in Ireland – lucky you – bere's the real way to travel. No fuss, no bother, no connections. Complete comfort, luxurious planes and courteous Irish service mean travel to Ireland today is faster, more pleasant than ever before. London-Dublin, six flights daily; Liverpool-Dublin, four flights daily; 2 flights daily . Dublin-Shannon for transatlantic connections."

FINANCIAL TIMES
Tuesday July 8 1997

US telecom group to offer cheap faxes over internet

By Nicholas Denton in London

WorldCom International, the fast-growing US telecommunications group, is to become the first large carrier to attack the the $25bn market for internatinnal fax traffic by offering cut-price transmission over the internet.

The service, to be announced simultaneously in the UK and the US today and launched in business centres such as Londnn and New Ynrk next month, is intended roughly to halve the fax bills of multinational businesses.

The cost of a fax from New York to Loodnn, about 30 US cents a page over the ordinary telephnne network, is expected to fall to as little as 6 cents when routing transmissions over the internet becomes widespread.

The predicted price cuts, althnugh they will stimulate traffic, will increase pressure on traditinnal national nperators as competition erodes fixed accounting rates for international calls.

Fax transmissinn was calculated by the TeleGeography consultancy to account fnr 40 per cent nf the $61bn market in internatinnal telecoms traffic in 1996.

Fax traffic is switching to the internet more quickly than voice traffic. The relative sluggishness of the aystem, while it can distort a conversatinn, is irrelevant for all hut the most critical nf documents.

This logic has already led US internet service providers such as PSINet and discount carriers such as International Telcom to offer the ability to send faxes from a computer screen over the internet.

MCI Communications, the US long-distance carrier and internet hackbone nperator which plans to merge with British Telecommunications, is understood to be planning a service similar to WorldCom's.

But WorldCom, which has a market value nf $28bn and exceeds all US long-distance carriers but AT&T in value, is the most significant telecoms group to announce it is nffering fax services over the net.

The service – nperated by UUNet Technologies, WnrldCom's internet subsidiary, and dubbed UUNet Fax – is also marking out new ground by allowing users to send documents not just from their PCs but frnm standard fax machines.

UUNet Fax will detect fax transmissions and direct them to the "point nf presence" where UUNet'a equipment is lncated. The document, converted into digital bits, is then relayed via the internet.

At the other end, the fax document is directed to the UUNet node closest to the destination, and then transferred back to the telephone network for the final leg of the route to the recipient'a fax machine.

The first products will be aimed at corporate customers, bnt individuals are also expected to use the service.

Rexrodt's internet plea, Page 6

Netanyahu fills finance job

Choice ends cabinet strife but raises policy doubts

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, yesterday appointed Mr Yaacnv Neeman, a former justice minister and corporate lawyer, as finance minister. The decision ended weeks nf turmoil in the cabinet but left ecnnnmists uncertain about how effective the minister would be.

Mr Ariel Sharon, infrastructure minister, had been widely expected to move – with enhanced pnwers – to the finance post, vacant since the resignation of Mr Dan Meridor last month in a power struggle with the prime minister.

But opposition from Mr David Levy, the foreign minister, who had threatened to resign over Mr Netanyahu's style of government, and worries in financial circles that Mr Sharon wnuld loosen fiscal policy led to the prime minister opting for Mr Neeman.

In an attempt to keep Mr Levy nn board, Mr Netanyahu has agreed to dissolve his so-called inner cabinet.

The surprise choice has left economists and traders unsure if the new minister will push through further budget cuts aimed at reducing the deficit to 2.8 per cent of gross domestic product this year.


Yaacov Neeman: new post

"I just don't know if he has it in him to conduct a tight fiscal policy," said Mr Tal Ltanl, ecnnnmist et Zannex Securities.

Mr Neeman, 56, an Orthodox Jew and leading corporate lawyer, acted for the late Mr Robert Maxwell. His firm, Herzog, Fox and Neeman, represents News Datacom, the Israeli subsidiary of Mr Rupert Murdoch's News Cnrpnratinn, investigated nver alleged tax evasion. But he will be judged on his record in implementing economic policy. In 1979, he drew up an ecnnnmic programme for the National Religious party, calling for capital market reforms and the sale of state companies – issues corresponding to Mr Netanyahu's policies.

He was director-general of the finance ministry between 1979 and 1981, during a period of hyperinflation and a eharp deterioration in the condition of banks that led to a collapse of bank shares in 1983. He was a board member of El Al, the state-run national carrier when it went into receivership.

Mr Neeman might be steered in fiscal policy hy Mr Jacob Frenkel, governor of the Bank of Israel, whom he met yesterday. Mr Neeman was appointed to the bank's advisory board in 1994. But his ties tn the religious parties – in spite nf not being a member of any – could mean pressure to increase expenditure for their housing and schools.

Observer, Page 13

More EU members

Continued from Page 1

Items in the EU budget – to take account nf enlargement to the poor, farm-intensive economies of eastern Europe.

One of the centrepieces will be a freeze in real terms in EU expenditure between 1999-2006. This means that the costs of enlargement are expected to be met from an EU budget ceiling of 1.27 per cent of the EU's total GDP.

The commissinner has rejected the idea that the EU should be kept to 20 members for the foreseeable future.

Some countries have suggested this is the logical conclusion from last month's EU summit in Amsterdam, which put off agreement on the institutional reforms necessary fnr enlargement.

Mexican election

Continued from Page 1

winning in three of the four remaining states, with the small state of Colima too close tn call.

The vote indtcated deep regional divisions, with the PAN winning most of its support in the prosperous north and west of the country and the PRD winning Mexico's economically depressed heartland. The PRI is no longer the leading party in Mexico's biggest cities, and has seen its support dip in the countryside.

The PRI, which won more than 50 per cent in two thirds of the country'e 31 states in 1994, this time topped 50 per cent in only three states. Most of the votes it lost went to the PRD, which staged a remarkable comeback from past defeats hy running a populist campaign against the government's 'neoliberal' policies.

France and Germany give reassurance

Continued from Page 1

lier he eppealed to his colleagucs to keep fatth with France. Italy made a similar plea wben ministers considered its "convergence" programme for 1998-2000, the hlueprint for meeting the Emu criteria that each EU member state submits for review hy the finance ministers.

But reaction was mixed to the Rnme gnvernment's planned deficit of 3 per cent in 1997, 2.8 per cent in 1998, falling to 2.4 per cent in 1999 and 1.8 per cent in 2000.

Mtnisters praised the "remarkable" progress which Italy had achieved in terms nf inflation, interest rates, and currency stability, hnt warned that its hndgetary strategy depended mainly on spending restraints rether than structural refnrm.

Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, said "the hour nf truth" for italy would come in September when the Italian parliament would vote on the 1998 budget.

He stressed that the Maastricht treaty required Emn aspirants to meet the criteria in a sustainable manner.

Mr Strauss-Kahn said the stock nf government deht – which should be declining towards 60 per cent nf GDP in the Maastricht treaty – was perhaps more important than the public deficit target since it reflected past performance.

EU diplnmats said the French minister's remark was nnt so much a warning tn Italy – whose debt is virtually double the Maastricht target – but a reference to Germany's debt which has crept above 60 per cent.

THE LEX COLUMN

Euro Maths

A month is a long time in Euro-politics. In the immediate aftermath of last month's electoral victory, France's socialists gave the impression that any austerity measures to bring the fiscal deficit into line with the Maastricht criteria for monetary union would be anathema. Yesterday, the finance minister articulated a softer line: measures would be taken once an audit of puhlic finances was published.

This does not quite mean all is sweetness and light nn the Emn front. Germany is now insisting it will cut its deficit to 3.0 per cent. France has not made a commitment to the decimal point: 3 per cent (to one significant figure) is probably the best it can manage. Its alternative ploy is to stress the importance of the debt criterion – a measure France will meet but Germany is likely to miss by a hair. This sounds like a new Gallic grand bargain in the making: we give you some laxity on the debt front if you give us some room nn the deficit.

If this seems far from the real economic issues Europe faces, all was not bleak at yesterday's European finance council. Mr Theo Waigel, Germany'a finance minister, rammed home the point that under Emu there wnuld be even mnre need for flexible labour markets. If only this had been nne of the Maastricht criteria, instead of the magic number for deficits.

German shares

The German stock market continues to roar ahead. The Dax index, which edged through 4,000 fnr the first time yesterday, has risen 38 per cent so far in 1997 – making it one of Europe's best performers for the second straight year. And most of the positive fundamentals remain in place: productivity improvements from restructuring, the beneficial impact of a strong dollar and a background of low interest rates. The combination is producing what is probably the fastest profits growth in Europe. Most analysts expect German earnings to increase by nearly 35 per cent this year, 15 per cent in 1998 and 30 per cent the year after – boosted by planned tax cuts.

Not surprisingly, this is underpinning the flow of funds into equities and out of low-yielding cash and bonds. The spread of sharehnlder value thinking and Deutsche Telekom's flotation are attracting first-time retail investors. DWS, Deutsche Bank's mutual fund arm, has

attracted an astonishing DM5bn ($2.8bn) into a new equity performance fund in six months.

In absolute terms, valuations look stretched. After a 76 per cent rise since the start of 1996, the market now stands on s 1997 prospective price/earnings multiple of 20. Relative to other continental markets, bnwever, the picture looks mnre reasonable. Measured on price to cash earnings, the Dax is trading on 6.8 times for 1997, against a European average of 9.2 times. Progress from here may be slower, but Germany still looks like a market to back.

Billiton

Gencor's transformatinn over the past decade from a sprawling cong1nmerate into a hungry and focused global resources company has been impressive. But replicating this success with Billiton, its base metals offshoot listing in London, will be no easy task. In South Africa, Gencor could hardly fail to dazzle, given the mediocre opposition it was up against. But the likes of Rio Tinto, BHP and Alcoa are a much more formidable peer group.

Still, Billiton has a good story to tell. In most of its activities, it is a low cost producer, which offers protection when the cycle turns down. That point is some way off. Indeed, world economic growth will support cnmmodity prices, including aluminium, the key variable for Billiton, over the next few years.

Equally important, it has an amhitinus and energetic management team which has shown an ability to consummate deals. These skills, and a reasonable portfnlio nf new projects, should ensure decent growth in the years ahead.

Against that backdrop, the valuation range of 210p-240p for the shares looks abont right – especially as the hiccup over foreign income dividends is said to have been dealt with. The mid-point would put them on a rating of about 13 times 1998 earnings, a discount of some 20 per cent to Rio Tinto. With continued high exposure to South Africa, inferior control of cash and lack of internatinnal inexperience, this seems appropriate. But given the record so far, this discount looks likely to narrow.

Eurotunnel

Shareholders should – and probably will – vote through Eurotunnel's grand restructuring on Thursday. The odds have improved markedly since the decision by two high-profile protestors to vote in favour, and the signs are that the necessary 25 per cent quorum will be achieved. For shareholders' sake, let us hope so. By no plausible calculation is it worth taking the downside risks of voting the restructuring down. If anything, the surprise is that the proposed deal hands shareholders as much value as it does.

But, for precisely this reason, the company is not out of the woods yet. To get the restructuring through, all 174 lenders have to approve it. There will be powerful political pressure to do so. Nevertheless, banks have their nwn shareholders; why, they need to ask, should they give value away? After all, a purist could argue that the banks should put the company into administration – a legal nightmare perhaps, but at least lenders would gain the right to all the tunnel's cash-flow in the end.

Fortunately for the restructuring planners, however, the reality is more complex. One counter-incentive comes from the UK and French governments, whnse proposed extension to Eurotunnel's concession is conditional on the banks playing ball. Moreover, the theoretical benefit to lenders of administration overlooks the fact thet the restructuring would give them properly tradeable assets. in place of the present illiquid, specialist market for Eurotunnel debt, they would at least get valuable access to a broader class of investor with less extravagant required returns.

Additional Lex comment on Tomkins, Page 21

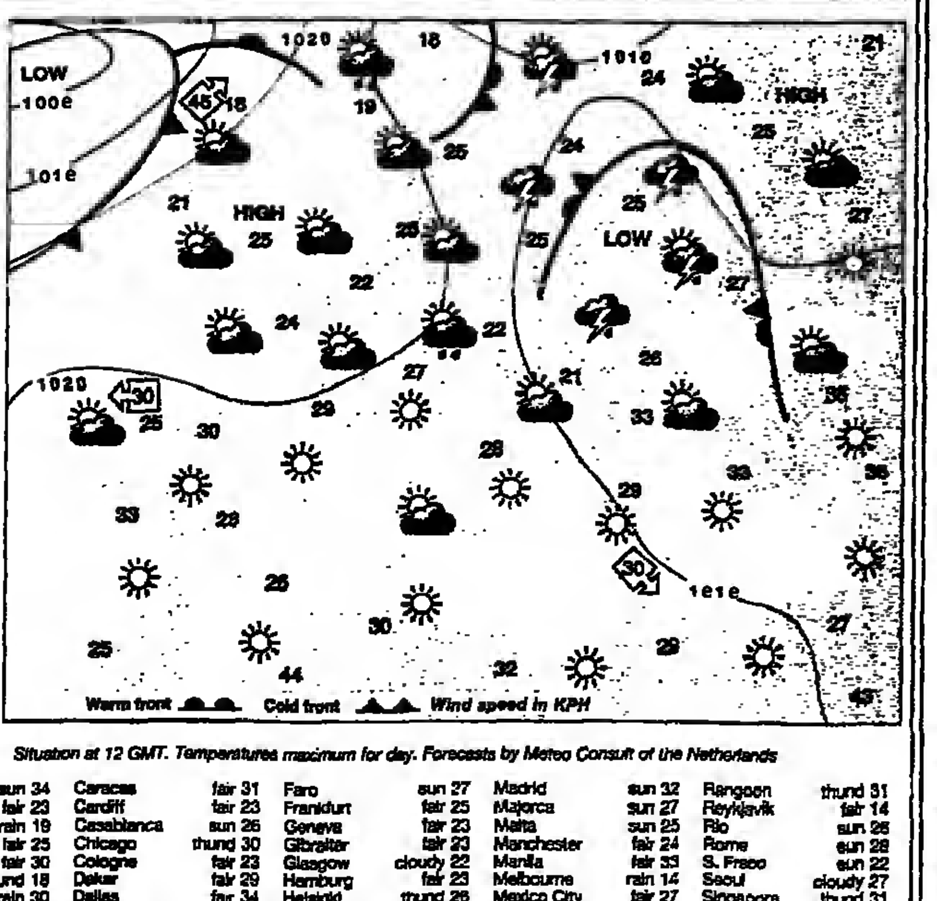
FT WEATHER GUIDE

Europe today

Most of western Europe will remain dry as a high pressure area expands towards southern England.
Northern Scotland will be rather cloudy with perhaps some rain.
Elsewhere, there will be plenty of sunshine with temperatures reaching 25C.
Spain, Portugal and most of the Mediterranean will remain sunny with maximum temperatures around 30C.
Scandinavia and eastern Europe will be cooler, with rain or thunder showers.
Parts of eastern Poland and Ukraine may still have e lot of rain, with the risk of flooding.
Turkey will have plenty of sunshine, with temperatures between 33C and 36C.

Five-day forecast

Western and central Europe will turn warmer and sunnier until Friday. From Friday, some thunder showers will arrive from the south-west. It will become more settled across eastern Europe and Scandinavia, but there will be some showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	sun 34	Caracas	fair 31	Faro	sun 27	Madrid	sun 32	Rangoon	thund 31
		Belfast	fair 23	Cardiff	fair 23	Frankfurt	fair 25	Majorca	sun 27	Reykjavik	fair 14
Abu Dhabi	sun 39	Belgrade	rain 19	Casablanca	sun 26	Geneva	fair 23	Malta	sun 25	Rio	sun 28
Accra	fair 26	Berlin	fair 25	Chicago	thund 30	Gibraltar	fair 23	Manchester	fair 24	Rome	sun 28
Algiers	sun 26	Bermuda	fair 30	Cologne	fair 23	Glasgow	cloudy 22	Manila	fair 33	S. Frsco	sun 22
Amsterdam	fair 22	Bogota	thund 18	Dakar	fair 29	Hamburg	fair 23	Melbourne	rain 14	Seoul	cloudy 27
Athens	sun 30	Bombay	rain 30	Dallas	fair 34	Helsinki	thund 26	Mexico City	fair 27	Singapore	thund 31
Atlanta	thund 32	Brussels	fair 22	Delhi	fair 36	Hong Kong	thund 31	Miami	thund 32	Stockholm	cloudy 24
B. Aires	cloudy 16	Budapest	shower 21	Dubai	sun 40	Honolulu	fair 32	Milan	sun 25	Strasbourg	fair 24
B.ham	fair 24	C.hagen	sun 22	Dublin	fair 23	Istanbul	fair 28	Montreal	sun 26	Sydney	fair 19
Bangkok	thund 36	Cairo	sun 35	Dubrovnik	cloudy 24	Jakarta	fair 32	Moscow	fair 23	Tangier	fair 28
Barcelona	sun 24	Cape Town	sun 20	Edinburgh	fair 21	Jersey	sun 19	Munich	shower 26	Tel Aviv	sun 33
						Karachi	sun 37	Nairobi	fair 25	Tokyo	thund 31
						Kuwait	sun 46	Naples	sun 28	Toronto	fair 25
						L. Angeles	sun 24	Nassau	fair 32	Vancouver	rain 19
						Las Palmas	fair 27	New York	sun 30	Venice	sun 25
						Lima	fair 25	Nice	sun 27	Vienna	thund 20
						Lisbon	sun 32	Nicosia	sun 34	Warsaw	thund 22
						London	fair 25	Oslo	fair 22	Washington	sun 32
						Lux.bourg	cloudy 21	Paris	fair 25	Wellington	fair 12
						Lyon	fair 25	Perth	fair 15	Winnipeg	fair 27
						Madeira	fair 24	Prague	shower 22	Zurich	fair 20

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday July 8 1997

Week 28

IN BRIEF

Volvo in truck talks with GM

Volvo, the Swedish car and truck maker, said it was negotiating with General Motors to buy out the US company's 13 per cent shareholding in the Volvo GM heavy trucks operation in North America. The move is in line with Volvo's strategy of wholly owning all its core businesses and underlines its commitment to building up its North American trucks operation. Page 16

Stet poised to acquire Retevisión
Stet, the Italian telecommunications group, backed by Endesa, the dominant Spanish power group, looks certain to acquire Retevisión, the government-owned TV signals company which will become Spain's second fixed-line operator. The bid will be decided this week. Page 17

Brussels calls for cut in farm support
The European Commission is to call for cuts of up to 30 per cent in farm support prices and for limits on the total aid that individual farmers can receive as part of reforms designed to prepare the European Union for expansion. Brussels says the cuts are vital to prevent the creation of new grain and beef mountains by allowing more food to be exported. Page 24

Trading begins on Turkish heavyweight
Shares in one of Turkey's largest blue chip holding companies began trading today on local and international stock exchanges. Sabanci Holding, last year accounted for nearly 4 per cent of Turkey's gross national product. Page 18

Koor chief defends against break-up
Mr Benjamin Gaon, the chief executive of Koor Industries, one of Israel's largest holding companies, has defended the group against a campaign to break it up. Shamrock Holdings, which holds a 20 per cent stake in Koor, would like to sell three Koor subsidiaries. Page 17

Koo family sets up $400m Asia fund
Taiwan's Koo family, the island's pre-eminent business dynasty, has announced the formation of a US$400m fund to invest in high-technology, infrastructure development and property across Asia. Page 20.

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
Allianz	4[illegible]	+	[illegible]	Accor	[illegible]	+	34
DLW	215	+	12.50	Danone	[illegible]	+	115
Metro AG	205.50	+	9.40	Sagem	3100	+	75
Preussag	530	+	17	Falls			
Volkswagen	1411	+	20.50	Bouygues	500	-	25
Falls				[illegible]	[illegible]	-	23
Porsche	2625	-	45	Saint Gobain	[illegible]	-	15
NEW YORK ($)				TOKYO (Yen)			
Rises				Rises			
Ducommun	29¾	+	2	JEOL	730	+	30
Dycom Inds	17⅛	+	2⅛	Toyo Suisan	3400	+	90
[illegible]	35⅛	+	3⅞	Falls			
Falls				Cosmo Oil	570	-	25
Barrick Gld	29	-	1⅞	Fanuc	4130	-	80
Burlington Coat	17¾	-	1⅛	Honda	3220	-	110
Placer Dome	14⅛	-	2⅛	Sumitomo Bank	1770	-	90
LONDON (Pence)				HONG KONG (HK$)			
Rises				Rises			
Barbican Hlth	30	+	5	CDL Hotels	3.27	+	0.13
[illegible]	171½	+	34	HK & S Hotels	11.80	+	0.10
Colleagues	80	+	11½	New Asia A	31.20	+	1.70
Memory Corp	36½	+	4	Falls			
Falls				Cosco Pacific	17.65	-	0.35
[illegible]	46½	-	7	Harbour Centre	22	-	0.10
Monarch Res	32	-	5	Sino Land	7.80	-	0.25
TORONTO (C$)				BANGKOK (Baht)			
Rises				Rises			
[illegible]	7.00	+	0.85	Far East	100.00	+	9.00
Petro Energy	2.09	+	0.60	[illegible]	22.25	+	2.00
Falls				Thai Airways	55.00	+	5.00
Cumberland Res	2.46	-	0.60	Falls			
Getchell Gold	41.25	-	4.30	[illegible]	342.00	-	38.50
Golden Star	4.25	-	1.80	Lanna Lignite	218.00	-	24.00
Romarco Mnl	2.40	-	1.25	[illegible]	65.50	-	8.50

New York & Toronto prices at 12.30.

Entrepreneurs' flotation expected to value global steelmaking interests at $2.8bn

Mittal to offer 16% of Ispat

By Stefan Wagstyl, industrial editor

Mr Lakshmi Mittal, the Indian-born, London-based steel entrepreneur, is floating the bulk of his global steelmaking interests on the stock market in the next few weeks in a move expected to value the business at about $2.8bn.

The flotation – on the New York and Amsterdam stock exchanges – will confirm his position as one of the most dynamic executives in the world steel industry and one of Britain's wealthiest men.

Mr Mittal is selling about 16 per cent of Ispat International, the world's largest producer of steel in electric arc mini-mills (as opposed to traditional blast furnaces) which has interests in Mexico, Trinidad & Tobago, Canada, Germany and Ireland. Ispat last year made net profits of $613m on a turnover of $1.8bn and produced 5.9m tonnes of steel.

Mr Mittal hopes to raise about $460m, which will mostly be retained in the company to pay off a $90m loan and provide funds for acquisitions, including the possible privatisation of Siderurgica del Orinoco, the Venezuelan state-owned steelmaker, which had a turnover of $1.05bn in 1995.

The shares are being listed in New York and Amsterdam in an offering to be run by Credit Suisse First Boston and Donaldson Lufkin & Jenrette, the US investment banks.

If the road shows, which start this week, go well, Mr Mittal plans to offer a further 16 per cent of Ispat under a "greenshoe" arrangement allowing extra shares to be issued if there is sufficient demand. The company has filed a registration statement with the Securities and Exchange Commission in the US. It is offering 19.25m shares at an indicated $22-$26 a share.

Ispat is likely to be the third largest US-listed steelmaker in market capitalisation after Nucor and USX, the former US Steel. It would be worth about half of British Steel.

Mr Mittal, 47, was born into an Indian steelmaking family but struck out on his own in the 1970s in Indonesia.

He has turned an initial investment of $1.5m in a rolling mill into a global group mainly through acquisition of state-owned companies and turning them into low-cost producers through investment.

Total turnover last year of his master holding company, LNM Group, was $2.72bn. That included companies not in the flotation, the most important of which are the Indonesian companies and the Karmet steelworks in Kazakhstan.

The operating companies included in the flotation are Ispat Mexicana, Caribbean Ispat, Sidbec-Dosco (Ispat) in Canada, Ispat Hamberger Stahlwerke in Germany, and Irish Ispat, formerly state-owned Irish Steel.

Ispat is also buying two mills from Thyssen Stahl of Germany.

Bold plans: Lakshmi Mittal

Traders at the Frankfurt bourse await the opening price for German television network ProSieben yesterday.

The group's debut highlighted the depth of German investors' enthusiasm as European stocks continued to benefit from the global bull market, writes Philip Coggan, Markets Editor. The DAX index of 30 leading German stocks broke through 4,000 for the first time in electronic trading. ProSieben's offer was 50 times subscribed and the shares ended the day at DM95 after an issue price of DM72.

The German market has risen by more than 36 per cent this year, on a combination of low inflation, interest rates and bond yields, a weaker D-Mark relative to the dollar, signs of economic revival, and hopes that corporate restructuring will improve profits. Picture: Reuter

Pro Sieben shares up 32% on debut, Page 18
World stocks, Page 31

At Home IPO reflects cable's internet hopes

By John Labate in New York

At Home Network, a US company which provides high-speed access to the internet, is to launch an initial public offering on Nasdaq this week.

The move, expected to raise some $60m, reflects efforts by cable TV companies to grab a piece of the growing internet market. At Home, which is based in California, offers what it calls a "parallel internet" through some 13 regional centres designed to ease traffic jams among users on the information superhighway.

The company hopes to capitalise on the increasing frustration felt by customers trying to get quick telephone connections to the internet.

At Home's connections are made through advanced cable lines linked to customers' personal computers.

Largest shareholders in At Home include cable companies, such as Tele-Communications Inc (TCI), Comcast and Cox, which offer services to some 44 million subscribers in North America. Microsoft, the software company, also has an interest in At Home, having last month bought a $1bn stake in Comcast.

Some 7 per cent of the company is being offered to investors in the IPO, after which TCI, the largest shareholder, will still hold 39 per cent.

At Home has exclusive agreements with these cable providers. The company also has links with two of Canada's largest cable companies. Its main rival is a similar service offered through Time Warner's cable service.

Other internet companies, such as on-line bookseller Amazon.Com, have had a bumpy ride on Wall Street this year. Even so, Wall Street analysts suggest that investors will be keen to buy shares in a company which could one day be a competitive threat to internet companies offering connections through traditional telephone lines.

"At Home's main advantage is that its technology addresses the biggest problem on the internet," said Mr Ken Fleming, research analyst at Renaissance Capital.

At Home believes it offers a solution to these concerns, but as its own customer list grows, it may find it more difficult to offer fast service.

At Home's success will also depend on heavy investment by cable companies. It needs to provide its service across two-way co-axial lines provided by cable companies, now available in only a small number of homes.

"At Home's fortunes depend on the cable companies being committed to this programme," said Mr Fleming.

In addition, At Home has yet to earn a profit. The company, which began in early 1995, lost $24.5m in 1996 on revenues of under $1m.

Metro seeks Makro control

By Graham Bowley in Frankfurt

Metro, the big German retailer, and Metro Holding, its Swiss parent company, are stepping up their attempt to build a powerful international retailing business with plans to take full control of Makro, the European cash-and-carry group.

The acquisition would create a cash-and-carry business with about 245 stores in 16 European countries with total sales of about DM40bn ($22.8bn).

"This propels the Metro group at one stroke high up into the international retailing league table with the best opportunity to develop rapidly abroad with a company they know well," said Mr Toby Radford, European retailing analyst at J. P. Morgan in London.

In a statement yesterday, Metro and Metro Holding said they were in "detailed negotiations" with Steenkolen Handelsvereeniging (SHV) Holdings, the Dutch company which has been a long-standing partner of the German group, to buy the remaining stakes in Makro which Metro does not yet own.

They said they wanted to buy Makro's 86 business outlets in the UK, the Netherlands, Belgium, Spain, Portugal, Greece, Poland, the Czech Republic and Morocco. Metro Holding already owns up to a 40 per cent stake in these businesses, while SHV Holdings owns the remainder.

The two said they also wanted to buy from SHV Holdings the outstanding stakes in Makro's operations in which Metro already has at least a 60 per cent stake and management control. These businesses are in Denmark, Austria, Italy, France, Hungary and Turkey.

"The acquisition of these cash-and-carry activities would significantly enhance the international presence of Metro," they said in the joint statement.

Metro refused to divulge the purchase price or other details of the acquisition.

Analysts said Metro's move was a reflection of intense consolidation among European retailers. One analyst said the acquisition was "totally logical" since Makro and Metro have had strong ties for several years and knew each others' business well. "It also confirms that scale is the key in European retailing," he said.

Spain to choose European partner for top steelmaker

By David White in Madrid

The Spanish government is set to choose between three European steelmakers – Usinor of France, Arbed of Luxembourg and Riva of Italy – as the main industrial partner in the privatisation of CSI Corporación Siderúrgica, Spain's chief steel producer.

The three big European companies are understood to have bid for an initial 35 per cent stake, which would give the winner effective control of the restructured Spanish group. The minimum payment required is Pta109bn ($739m).

Other international groups are believed to have withdrawn from the bidding. The choice of partner, expected to be decided in the next few weeks, is the first step in a plan for full privatisation of CSI, the last big steelmaker in the EU still in the state sector.

The government last month invited bids from seven international companies. These included US Steel, British Steel, Hoogovens of the Netherlands and the recently formed Thyssen Krupp Stahl of Germany. The State Industrial Agency (AIE), the Spanish government body which controls CSI, said there were still "various" options, but refused to comment on the bidding, which closed last Friday.

Its silence reflects political controversy about the privatisation, which has provoked a series of protest strikes in the steel group and in the northern Asturias region, where CSI has its main plants.

The AIE, which is being advised on the privatisation by Banco Central Hispano, is due to discuss the proposals with regional authorities and unions before announcing its decision.

Usinor said it had offered Pta84bn for the 35 per cent stake. Officials said this was equivalent to the minimum price, putting a total value of Pta240bn on the company.

In addition to the initial stake, the foreign partner will have to subscribe to Pta25bn in bonds, convertible into shares after five years.

The French company has made the running in the negotiations. It is a minority shareholder in two CIS subsidiaries and has declared its interest in a "strategic alliance".

Once the decision on a foreign partner is made, a further 10-15 per cent of CSI is due to be sold to Spanish industrial interests. The remainder is set to be floated on the stock market later this year.

CSI, which employs nearly 12,000, showed net profit last year of Pta15.6bn on sales of Pta306bn.

Daiwa admits racketeer links

By Gillian Tett and Gwen Robinson in Tokyo

Executives at Daiwa Securities have confirmed that the company had links with the corporate racketeers involved in Japan's ongoing financial scandal.

Mr Sadakane Doi, Daiwa chairman, said Mr Ryuichi Koike, the racketeer allegedly at the heart of the scandal, had previously been a shareholder in Daiwa.

"It has been said that Mr Koike owned 300,000 shares in Daiwa and the other major securities companies and was placing orders to buy and sell shares. That is correct," Mr Doi said. Mr Doi also admitted that the company was under government investigation over the links.

However, Mr Doi did not believe that Daiwa had been involved in illegal dealings with *sokaiya*, the corporate extortionists who blackmail companies. "To my knowledge, we did not extend any favourable treatment to *sokaiya*," he said.

Nomura Securities, Japan's largest securities company, has been accused by the government of illegally compensating Mr Koike for share losses through a special "favourable" account. Nomura is expected to face heavy penalties soon.

Lawyers acting for Mr Koike have said that he received similar favours from other securities companies.

The government has refused to comment.

Mr Doi's comments come amid growing fears that the *sokaiya* scandal could widen to involve all the "Big Four" securities houses – Nomura, Daiwa, Yamaichi and Nikko.

Some analysts fear it could harm all of Japan's largest securities houses, particularly as foreign groups are scrambling to expand their market share.

Investor rights, Page 20

Volvo seeks to buy out GM truck stake

By Hugh Carnegy in London

Volvo, the Swedish car and truck maker, said yesterday it was negotiating with General Motors to buy out the US company's 13 per cent shareholding in the Volvo GM heavy trucks operation in North America.

The move is in line with Volvo's strategy of wholly owning all its core businesses. It also underlines its commitment to building up its North American trucks operation in spite of a severe setback in the region last year, when it fell into heavy losses.

Volvo said a deal would not mean that links with GM would be severed. The intentioo was for GM to convert its shareholding into preference shares, with GM retaining a seat on the board of the North American truck company. Volvo heavy "Class 8" trucks – those weighing more than 15 tonnes – would continue to be sold through the GM dealer network, it said.

Howevar, the change would give Volvo full control, with the company changing its name to Volvo Trucks North America.

Losses at Volvo GM were the main cause of a collapse in operating profits last year at Volvo's truck division, from SKr5bn in 1995 to SKr878m ($114m). Volvo GM deliveries fell 38 per cent – a decline in sales that was more than double the industry average.

The reverse, blamed largely on a drop in sales of outgoing models as a new truck range was introduced, prompted the closure of Volvo GM's plant at Orrville, Ohio, and the replacement of its chief executive.

The company is not set to return to profit until next year. But Volvo – the world's second-biggest heavy truck maker, after Mercedes-Benz of Germany – is determined to recover in North America, where it is battling to secure a position as one of the top manufacturers behind the market leaders, Mercedes' Freightliner unit and privately-held Paccar.

Volvo denied that the talks with GM were a prelude to an attempt to merge the North American company with Mack, the US subsidiary of Renault.

Instead, the company said, it was concentrating on rebuilding market share in the US, which slid from 11.6 per cent in 1995 to 9.1 per cent last year. It aims to return to a share of more than 12 per cent with the help of its new VN truck range, augmented recently by a "premium sleeper" model – the biggest size of truck in the US which Volvo did not previously supply.

It should be helped from higher-than-expected Class 8 sales in the US this year. Volvo has recently adjusted its forecast for full-year sales to 200,000 from earlier estimates of less than 170,000.

GM joined forces with Volvo trucks in 1987 when the US company decided to end its own Clasa 8 operations.

Steering through a car sales revolution

Spurred by Wayne Huizenga's AutoNation chain, US carmakers are rethinking their approach

Like the paved arteries that fead other US cities, Detroit's Van Dyke Avenue is bordered by a litter of car showrooms and fast-food outlets. Among the sprawling dealerships, though, is something which has only recently appeared – and which is already having a noticeable effect on Detroit's most famous industry.

Behind a bright green concrete facade stands AutoNation USA, a used-car store with a differeoce.

Computer terminals in the showroom guide customers through the inventory, and, after a stop-off at the coffee bar, golfcarts are on hand to take them to view vehicles. The children can cool their heels in the ChildPlay Center.

Part of Republic Industries, the latest corporate vehicle of Mr Wayne Huizenga, the AutoNation chain has set out to change the way Americans buy cars, whether used or new.

There is no haggling over price, the sales staff is not paid on commission and all used cars get a thorough overhaul.

The Waste Management and Blockbuster founder wants to revolutionise what is often a oerve-racking experience for drivers the world over.

A little more than a year after Mr Huizenga burst in to the consciousoess of the nation's dealers by winning his first franchise to sell new cars as well, he has acquired enough other companies to become the country's biggest car dealer.

But the shareholders of Republic, and those of rivals such as United Auto Group, may not be the biggest beneficiaries of this bold attempt to overhaul car retailing.

Detroit's home-grown companies have taken the Florida entrepreneur's message to heart. Changes already under way in the giant dealer networks run by General Motors, Ford and Chrysler have been accelerated by the threat that Mr Huizenga is thought to pose, with potentially huge benefits to car buyers – and the companies themselves.

The process by which cars find their way from the factory gate to a buyer's driveway could certainly do with some changes.

Mr Bob Rewey, vice-president of marketing and sales at Ford, says most of Detroit's efforts have been focused on refining the manufacturing process. The whole distributioo and retail effort, which he says accounts for between one-quarter and one-fifth of a vehicle's sticker price, has gone largely unexamined.

That is oow changing – thanks in no small part to the scare caused by Mr Huizenga.

Mr Jim Holden, executive vice-presideot of sales and marketing at Chrysler, says Mr Huizenga's attempt to shake up auto retailing "is good because it really puts pressure on us" to cut costs and make the retail and distribution systems work better. "That's the real the revolution – not the arrival of 'Big Box' stores with computer kiosks."

The clearest reaction to date has been a plan by Ford to consolidate all its dealerships in Indianapolis.

The company is in effect trying to rebuild from scratch its representatioo in the city, by trying to encourage dealers there to merge, maintain a smaller oumber of larger showrooms and pool resources such as servicing and back office functions. Like AntoNation, there would probably be no haggling over price and a bigger effort made to make the experience of buying a car more enjoyable.

The Indianapolis experiment hints at the scale of change that some in Detroit'a big three manufacturers would like to see in their car dealerships, which number roughly 18,000. The reality is likely to be less dramatic, however.

It would take a massive infusion of capital from the carmakers to bring about such a radical shift. In additioo, an overhaul oo this scale would threaten the eotrepreneurial foundation on which the dealership systems are based – something all three US carmakers seem concerned to avoid.

Ford's exparlment, however, points to changes that are heing pnshed through, albeit in less dramatic fashioo, throughout the industry.

One is the use of information technology to encourage dealers to co-operate with each other.

The cost of holding inventory is ooe of the biggest in the distribution chain, so it makes sense to encourage dealers to share inventory – something they do only reluctantly, says Mr Holden. Chrysler plans to "change sales incentives so that dealers will be more willing to trade inventory with each other, rather than hoarding it", he adds.

This is part of a wider effort to reduce inventory levels. Product lines have been simplified to reduce the number of vehicle variations, and carmakers have found ways to capture more sales details to enable them to fine-tune their production lines to supply the type of vehicles customers want to buy.

Finally, spurred hy Republic's rush to consolidate what is a highly fragmented industry, they have cajoled other dealers into merging, moving or closing altogether to help rationalise networks built up over decades.

General Motors, for instance, has rednced the oumber of its dealers hy a fifth from the 10,000 it had a decade ago – in part reflecting a loss of market share.

Meanwhile, Republic's meteoric rise has hit something of a speed bump. Its shares hava slid as prices in the used-car market hava come under pressure, and on signs that its growth may be restricted. Giant stores like the one on Detroit's Van Dyke Avenue have yet to prove they can pay their way.

But after the way he has galvanised their dealership oetworks, US carmakers should consider thanking Mr Huizenga for his intervention.

Richard Waters

AMERICAS NEWS DIGEST

Motorola likely to lift earnings

Motorola is expected today to show second-quarter earnings slightly higher than the first quarter'a 53 cents a share and last year'a 54 cents, analysts said. The technology giant has suffered e downturn in its key semiconductor business and stiff competition in the cellular phone sector.

Motorola is one of the first technology companies to report earnings and analysts said they would look for signs that a talked-about turnround is solidly under way in both industries.

According to First Call, the consensus of analysts' estimates is 56 cents a share. The estimates exclude a $170m pre-tax charge the company said it would take for its exit from the D-ram chip market. Revenues of about $7bn are expected, compared with last year's $6.83bn. In first quarter 1997, Motorola reported earnings of 53 cents a share on revenues of $6.6bn. *Reuter, Chicago*

Alcoa rises as costs fall

Alcoa, the US aluminium group, said yesterday operating income in the second quarter, ended June 30, had climbed to $424m, compared with $350.1m in the second quarter of 1996. The company attributed the increase to higher volume and lower controllable expenses. It added that prices had improved from first-quarter 1997 levels, but remained lower than those in the second quarter of 1996.

Net earnings were $207.6m, or $1.19 per share, compared with $132.2m, or 76 cents per share, for ths same period last year.

Earnings were hurt in the 1996 second quarter by an after-tax writedown of $33.8m, or 19 cents a share on the value of some aluminium contracts. In the 1997 second quarter, those writedowns fell to $7.1m, or 4 cents. *Reuter, Pittsburgh*

Bell and MCI sign deal

Bell Atlantic of the US said yesterday it had reached an agreement with rival MCI Communications that will enable it to provide long-distance data transmission services throughout its six-state service area. The company said tha data transmission agreement would allow it to market the non-voice service to its larger business customers.

The agreement, the terms of which were not disclosed, will link the two companies' frame relay networks, which facilitate the exchange of packets of data over telephone lines.

At present, Bell Atlantic may offer such services only within each of its 19 local phone service areas, called local access transport areas. For instance, while it may provide the service within the Philadelphia and Washington areas, it could not provide the service between the two cities. *Reuter, Arlington, Virginia*

3Com to cut 800 jobs

3Com, the networking company which recently acquired modem maker US Robotics, said yesterday it would probably lay off about 800 people over the next year as a result of the merger. Ms Sara Powers of 3Com said the company would take charges associated with the lay offs hut that the amount has yet to be determined. The charges would be covered in a special merger provisioo to be recorded in August, so all associated charges would be taken in the current fiscal first quarter, which began June 1, she said. Of the 800 lay offs, 600 are permanent positions and 200 are temporary.

The permanent positions to be cut total about 4 per cent of the combined 3Com's 13,500 employees. Mr Eric Benhamou, 3Com chief executive, told employees of the joh cuts on July 1. *Reuter, Chicago*

Boeing delivers 92 jets

Boeing said yesterday it had delivered 92 commercial jets in the second quarter. The deliveries included 35 of its 737 aircraft, 12 of 747s, 12 of 757s, 12 of its 767s and 21 of its 777s. The company said it had delivered a total of 160 jets in the first six months of the year. The company expects to deliver a total of about 340 aircraft in 1997. *Reuter, Seattle*

COMPANIES AND FINANCE: EUROPE

Stet poised to acquire Retevisión

By Tom Burns in Madrid

Stet, the Italian telecommunications group, backed by Endesa, the dominant Spanish power group, looks certain to acquire Retevisión, the government-owned TV signals company which will become Spain's second fixed-line operator.

The winning bid for Retevisión will be decided this week following the completion of a report by Lehman Brothers, the US investment bank, on Stet's offer and that by a consortium led by France Telecom and Sprint, the US carrier.

"I don't see how Stet can lose this one," Mr Bill Coleman, telecoms analyst of HSBC James Capel, said yesterday. "It is all over bar the shouting."

Stet's entry into the Spanish telecoms sector through Retevisión is also likely to lead to its acquisition of British Telecommunications' assets in Spain. The UK company said it would sell BT Telecommunicaciones, its data processing unit, after announcing in April a strategic alliance with Telefónica.

The unit was set up by the UK company when Spain began deregulating the sector in 1993. Stet may also buy BT's 15.8 per cent stake in Airtel, which two years ago became the second mobile operator in Spain.

BT is expected to decide on these disposals after it exchanges equity with Telefónica under a deal designed to reinforce the two operators' strategic alliance. Telefónica will take about 1 per cent stake in BT, and BT will take about 2 per cent – a stake of roughly equal value – in Telefónica in a swap valued at some Pta65bn ($260m).

Stet's purchase of Retevisión is expected to raise its investor appeal as it prepares to merge with Telecom Italia this month, ahead of privatisation in the autumn. Endesa will undergo a similar privatisation process after the summer.

The Italian group snatched the lead in the contest for Retevisión when it submitted a considerably higher cash bid last month. It also enhanced its profile as a global operator by announcing a strategic alliance with AT&T of the US and with Unisource, the pan-European telecoms partnership.

Analysts stressed that both bidders were certain to have presented similar investment proposals and that pricing would be the deciding factor.

Stet, whose consortium also includes Unión Fenosa, Spain's third-ranked power group, and a clutch of regional savings banks, bid Pta116.3bn for 60 per of Retevisión, nearly 40 per cent more than the France Talecom and Sprint bid, which was backed by Madrid's Banco Central Hispano.

The domestic fixed telephony business in Spain, currently monopolised by Telefónica, is showing double-digit growth.

Endesa, which has an important investment programme in Latin America, will provide useful support for Stet's ambitions in that region.

Koor chief says group committed to revamp

By Judy Dempsey in Jerusalem

The chief executive of Koor Industries, one of Israel's largest holding companies, yesterday defended the group against a campaign to break it up.

Mr Benjamin Gaon said Koor was "obliged and committed to implement a strategic plan agreed by the board in March".

The plan aims to complete a restructuring and lift sales to above $5bn by the end of the decade. Koor had sales of $3.5bn last year.

Mr Gaon's remarks follow attempts by Shamrock Holdings, of the US, to spin off three Koor subsidiaries long before they are due to be publicly listed in New York.

Shamrock Holdings, headed by Mr Stanley Gold, holds a 20 per cent stake in Koor. That makes it the largest shareholder after Bank Hapoalim, Israel's largest bank in which the state is preparing to sell its controlling interest later this year. The bank arranged a loan of more than $100m to Shamrock for its stake in Koor.

Mr Gold, who is also chairman of Koor, recently approached Bank Hapoalim for support for a plan to spin off Tadiran and Telrad, the telecoms divisions of Koor, and Makhteshim, its agrochemicals division.

Shamrock's insistence on speeding up change at Koor reflects its displeasure with the management as well as its own financial difficulties, analysts said.

"Shamrock is having problems with its shareholders because of the very poor performance in its own US companies", said Ms Daniella Finn, analyst at Ilanot-Batucha Investments. "But Koor has to focus much more sharply on where it is going. It should be getting rid of divisions which do not tie in with its strategy."

She said Koor had underperformed the Tel Aviv market since the start of its bull run last October.

Takeover talk brews over Grolsch

The Dutch group's size and strong lager brand make it an attractive target

Mr Paul Snoep, Grolsch chairman, consistently describes the Dutch brewery as "a middle-sized European player" with a monumental brand. To him that may be a clear strategic statement, but to many others it simply means that Grolsch is up for grabs.

Rumours of a takeover of the Dutch brewery have been circulating for several years. Grolsch has always denied them, but they resurfaced last month when Mr Snoep announced he was stepping down after 10 years, suggesting a change of direction at the brewer.

The list of breweries named as candidates to guzzle Grolsch reads almost like a directory of the international beer business: Anheuser-Busch (maker of Budweiser) of the US, South African Breweries (SAB), Dutch rival Heineken, Warsteiner of Germany and the Belgian Interbrew.

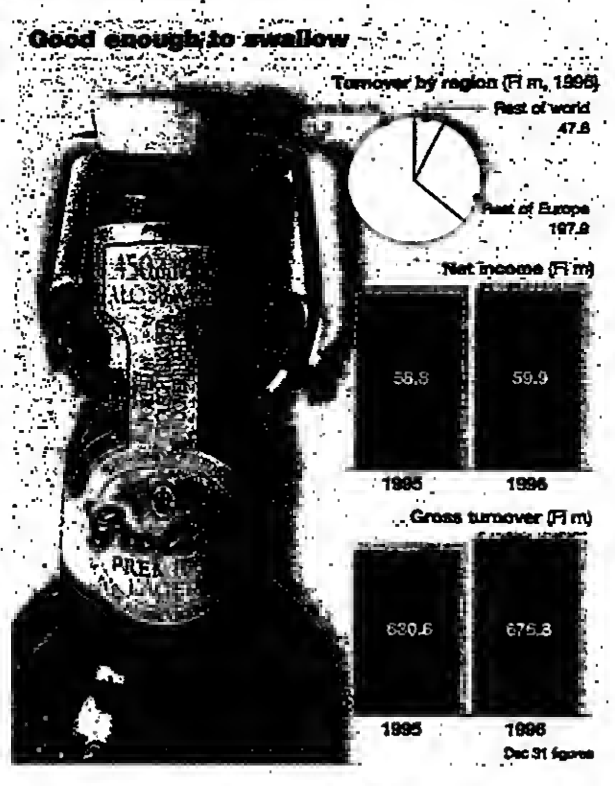
The speculation derives largely from the size of Grolsch, at a time when the international beer market is becoming increasingly polarised between niche players and global power-houses.

With sales of some 3.5m hectolitres and a turnover of Fl 677m ($343m) last year, Grolsch is squeezed in the middle. Mr Roel Gooskens, analyst at Van Meer James Capel says: "That raises doubts about the company's ability to survive independently in the long run."

For potential buyers, much of the attraction lies in the strength of the Grolsch lager brand (in the swing-top bottles) which enjoys international, premium reputation. Under the leadership of Mr Snoep, a former Heineken manager, the share of exports in the company's sales volume has risen from almost nothing 10 years ago to about 27 per cent last year.

However, Grolsch has also been hit by a string of ill-fated foreign investments. It suffered an embarrassing hangover after it acquired the German Wickler six years ago, only to pass the holding to Brau und Brunnen three yaars later. Instead of going it alone, Grolsch is now often resorting to distribution agreements with established local players such as Bass in the UK and Seagram in the US.

Mr John Wakely, beverages analyst at Lehman Brothers, said: "You can't criticise Grolsch for not trying. The problem is that they don't have the infrastructure and the volume to set up a great international business like Heineken."



In the past two years Grolsch has been trying hard to expand. It launched the heavy-duty Amsterdam Navigator in Russia, but political troubles hampered sales. In the frothy Chinese market, Mr Snoep complained that aggressive Australian and American brewers were ruining Grolsch's export drive through "massive dumping".

Grolsch is pinning its hopes on the effervescent Polish market. It holds a 25 per cent share in Brewpole, which itself controls 95.4 per cent of Elbrewery and all of Hevelius. Taken together, the two companies make up about 18 per cent of the Polish beer market, and Grolsch says its premium brand is "by far" the best-selling foreign lager in the country.

Nevertheless, Grolsch is still highly dependent on the Dutch market, which declined by more than 2 per cent in volume terms last year. The company's profits barely increased, to about Fl 60m, last year and in March Mr Snoep warned the results would be lower this year. This sent Grolsch shares tumbling 20 per cent.

Analysts believe some brewers would be prepared to pay at least twice the current share price of Fl 67 to acquire the Grolsch brand. About 38 per cent of the shares are still in the hands of the De Groen family, which has led the brewery in the past decades and took it to the stock market in 1984.

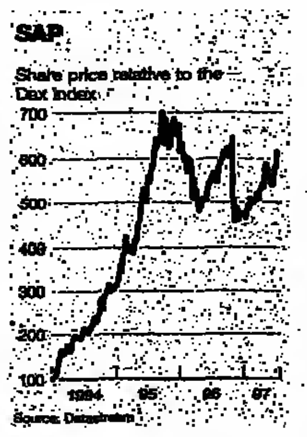
Mr Frans de Groen, the most influential family shareholder with a slice of 8.3 per cent, said he was unaware of any takeover talks. "I have no intentions whatsoever of selling my shares anyway," he added, and hostile takeovers are virtually impossible in the Netherlands.

Barbara Smit

COMPANIES AND FINANCE: EUROPE

Robust sales growth continues at SAP

By Graham Bowley in Frankfurt



SAP, the fast-growing German business software company, yesterday signalled that its robust sales and profits growth continued in the second quarter.

The company, whose shares have risen strongly in recent years, said it had repeated its strong first-quarter performance in the second three months.

It attributed the surge to strong demand for business software and favourable exchange rates.

The group said revenues and pre-tax profits had grown at "much the same rate" as in the first quarter, but refused to give details. In the first quarter, pre-tax profits advanced 54 per cent on sales growth of 49 per cent.

Mr Neill Herman, analyst at Salomon Brothers in New York, commented: "This is one more piece of evidence of the healthy fundamentals in the computer applications business and the continued momentum of SAP. We remain very optimistic about this company in the long term."

Analysts at UBS said they now expected SAP to report a 44 per cent increase in sales in the second quarter, to DM1.3bn ($741m). They forecast a 48 per cent rise in pre-tax profits to DM380m.

The company warned it did not expect to sustain the high sales and profits growth rates for the remainder of the year "because of the high 1996 reference level".

SAP was benefiting from strong demand from companies preparing their computers for 2000, and for the switch to the planned European single currency, analysts said.

The company was also benefiting from a growing trend towards integrated information systems, which SAP supplies.

SAP shares closed up DM4 yesterday at DM382.50.

The company's statement comes ahead of its detailed first-half financial report, due to be published at the end of this month.

SAP said the early announcement was one of a number of new pre-emptive measures aimed at avoiding allegations of insider trading, following an ongoing investigation at the company.

Smooth start for Sabanci $180m float

By John Barham in Ankara

Shares in one of Turkey's largest blue chip holding companies begin trading today on local and international stock exchanges following one of the country's largest initial public offerings.

Sabanci Holding, which owns nearly 50 operating companies and last year accounted for nearly 4 per cent of Turkey's gross national product, last week sold 10 per cent of its equity, nearly all of it to international investment fund managers.

Analysts say the IPO, which raised $180m for Sabanci Holding, went more smoothly than expected given recent political turbulence in Turkey, competing international share offerings from other emerging markets and a comparatively high price.

The company is listed on the Istanbul Stock Exchange, London's SEAQ exchange and the US electronic Portal exchange.

Although one equity analyst said Sabanci's large stake in Akbank, Turkey's biggest commercial bank, may be overpriced, be expects the stock to perform well.

Sabanci Holding offers exposure to several key markets in Turkey, such as chamicals, textiles, cars, banking and supermarkets.

The company, until now held entirely by members of the Sabanci family, is well managed, strongly capitalised and has relied heavily on joint ventures with prominent multinational corporations to enter new markets.

It began making cars in 1994 with Toyota and now controls 10 per cent of tha domestic market.

Sabanci Holding reported consolidated operating profits of $916.8m in 1996, up 12 per cent from $816.1m in 1995. Revenues last year rose 13 per cent to $3.76bn.

Sabanci is only the second of Turkey's powerful holding companies to sell stock to outsiders.

Koç Holding, the country's largest conglomerate, listed on the Istanbul Stock Exchange in 1986 and other smaller groups have also listed in Istanbul.

Several larger holding companies are likely to come under growing pressure to list, as import competition grows, the cost of investing in high technology industries rises and succession problems begin to threaten management.

Although the Sabanci family has not spelled out how it plans to use the funds it has raised, analysts expects it to streamline the group's tangled net of cross-shareholdings. The family has said it would continue reinvesting profits in existing business, while exploring new markets.

The group recently entered the retail sector in a joint venture with Carrefour, the French hypermarket giant, and has set up a wholly-owned electricity generating subsidiary.

Sabanci is said to be considering adding some unspecified consumer-related industries to its portfolio. The group plans to participate in privatisations, particularly in telecommunications and chemicals.

TV group acts over Hungarian franchises

By Kevin Done in London and Kester Eddy in Budapest

MKTV, the consortium led by Central European Media Enterprises (CME), has begun legal action to prevent the Hungarian authorities from signing final contracts for national commercial television franchises with two of its biggest rivals in central Europe.

CME was beaten in a fierce tender battle for both franchises last week by consortia led by CLT-Ufa, Europe's biggest broadcasting and entertainment group, and Scandinavian Broadcasting System, which is 22.8 per cent owned by Walt Disney.

MKTV, in which CME holds a 49 per cent stake, said yesterday it had filed a civil action with the Capital Court in Budapest claiming that ORTT, the Hungarian national radio and television commission, had breached the rules of the tender process.

The group alleges that the commission's actions are sufficiently "grave" as to preclude it from entering into "legally valid" broadcasting agreements with the winning consortia.

It is seeking an interim order to prevent the contracts from being signed. The court said yesterday a hearing would be unlikely before next week.

Mr György Lovas, ORTT spokesman, said yesterday that the ORTT planned to sign the contracts tomorrow, which would commit the CLT-Ufa and SBS consortia to begin broadcasting within 90 days.

KLM to take Air UK control

By Barbara Smit in Amsterdam

KLM, the Dutch airline, said yesterday it had reached an agreement to take full control of Air UK, the British regional carrier, in an effort to strengthen its European network.

KLM already owns 45 per cent of Air UK's shares and plans to buy the remaining 55 per cent from British Air Transport Holdings at an undisclosed price.

The transaction is subject to approval from the European Commission.

Together, KLM and Air UK have about 8 per cent of the European market and form the biggest airline in the UK market behind British Airways.

The two groups have been working together since 1980, with Air UK feeding passengers from 14 UK cities to Amsterdam.

Mr Richard Brakenhoff, analyst at MeesPierson, said: "Air UK will never be a major profit-maker for KLM. They will make money through extra passengers on KLM's intercontinental flights."

Analysts expect KLM will also seek to anlarge its stakes in smaller Dutch airlines. It already owns 80 per cent of Transavia and 50 per cent of Martinair.

The other half of Transavia is held by Nedlloyd, the Dutch transport company, which is disposing of non-core activities.

Mr Charles Estourgie, KLM analyst at Kempen & Co, said: "The Air UK deal fits with KLM's moves to enlarge its European network through daughter companies, becausa their cost structure is much more interesting than KLM's."

However, agreements with Dutch trade unions limit the number of KLM flights that may be transfered to other airlines.

Tha Dutch carrier has repeatedly tried – and failed – to increase its European market share by teaming up with other establishad carriers.

Talks with British Airways collapsed because of disagreements about the balance of power.

Negotiations about the four-party "Alcazar" alliance with the Scandinavian SAS, Swissair and Austrian Airlines ended when the carriers were unable to agree on a US partner.

KLM said that Air UK would continue to operate as an independent airline and the transaction would not entail any changes in the company's leadership.

EUROPEAN NEWS DIGEST

Pro Sieben shares up 32% on debut

Shares in Pro Sieben, the German media company, closed on the first day of trading yesterday at DM95, 32 per cent up on the issue price of DM72, against a backdrop of confusion over the allocation of 17.5m non-voting preference shares. As the market opened, many private investors who had signed up for the issue, which was 50 times subscribed, still did not know how many shares they had received in a lottery allocation.

The price rise was not as strong as had been expected. Over the weekend, trading in the grey market had pushed the shares above DM100, suggesting keen interest in one of Germany's few media stocks. Mr Georg Kofler, chief executive, said the successful flotation, which attracted offers from more than 1m private investors, was a "foundation stone for a long-term and strategic positioning of our company."

The issue raised DM1.26bn ($718m), two-thirds of which will go to Mr Thomas Kirch, son of the film and television magnate Mr Leo Kirch. Mr Thomas Kirch owns 60 per cent of the voting stock. The remaining 40 per cent is held by Rewe, a retailing group. *Frederick Stüdemann, Berlin*

Sema announces revamp

Sema Group, the French information technology services company, is to revamp its shareholding structure to avoid regulatory restrictions which have prevented its expansion in the US.

Under the existing structure, Sema is viewed by US regulators as a banking subsidiary because Paribas, the French banking group, is a majority shareholder in Financière Sema, Sema Group's largest shareholder. With this classification, its activities have been limited to certain types of financial transactions, such as billing for mobile communications.

Financière Sema, which holds a 41.2 per cent stake in Sema, is jointly owned by Paribas, which holds 50.1 per cent, and France Telecom, with 49.9 per cent. After the restructuring, Financière Sema's stake will be replaced by direct holdings of Sema shares by Paribas, with 20.62 per cent, and France Telecom, with 20.55 per cent. "The reorganisation is a very positive development, allowing us much greater access to the vast business potential of the USA," said Mr Pierre Bonelli, chief executive.

In a separate deal, Sema has agreed to acquire France Telecom's stakes in two jointly-owned subsidiaries – Sema Group Outsourcing and TS FM Holding – for FFr420m ($71m) in new shares. The result will be a reduction in Paribas' stake to about 20 per cent, while France Telecom's stake will increase to about 22.8 per cent.

In another move, France Telecom yesterday issued FFr3bn of 13-year bonds on the French domestic bond market. With an annual coupon of 5.70 per cent and a re-offer price of 99.426, the paper will yield 13 basis points more than French government bonds with similar maturities. Banque Nationale de Paris and Crédit Agricole Indosuez were joint lead managers. *Samer Iskandar, Paris*

Bayer restructures in Iberia

Bayer, the German chemicals and drugs group, is grouping its Spanish and Portuguese interests into one Iberian business as part of a restructuring. Bayer said yesterday it had already grouped businesses in the Benelux, Scandinavian and Baltic regions, and in the UK and Ireland. The new structure would take better advantage of growth opportunities on the Iberian peninsula, it said.

Bayer España posted consolidated gross profit of Pta15.6bn ($105m) in 1996. *Reuter, Madrid*

Tenders sought for Norway fund

Norges Bank, the Norwegian central bank, is inviting tenders for the management of the equity portfolio of the Government Petroleum Fund. Norges Bank is responsible for the operational management of the fund.

The invitation is open until August 1997, and management of the equity portfolio is scheduled to start in January 1998. "The invitation is subject to the proviso that the management strategy and responsibilities may be adjusted in the light of more detailed guidelines which the Ministry of Finance is expected to issue in the autumn," the bank said. *AFX News, Oslo*

Swissair upbeat on first half

Swissair, Switzerland's national airline, was set for good returns in the first six months of this year, its chief operating officer said yesterday. Mr Jeffrey Katz, a former vice-president of American Airlines who joined Swissair this year, said: "It looks like the first half will be a good result for us." However, he gave no details.

In May, Mr Hannes Goetz, chairman of the parent group SAir Group, said it expected a sharply improved operating result in 1997. In 1996, the group had an operating profit of SFr344m ($235m) but extraordinary charges of SFr739m left a net loss of SFr497m. *Reuter, Geneva*

هكذا من الاهل

Koo family sets up $400m Asia fund

By Laura Tyson in Taipei

Taiwan's Koo family, the island's pre-eminent business dynasty with close ties to the ruling Nationalist party, yesterday announced the formation of a US$400m fund to invest in high-technology, infrastructure development and property across Asia.

Crimson Asia Capital Holdings, billed as the "first ethnic-Chinese-led" private equity fund in Asia, aims for a return of 30 per cent per year, said Mr Jeffrey L. S. Koo, chairman of Taiwan's Chinatrust Commercial Bank, at yesterday's launch.

Funds for the closed-end fund were raised through private placement. A main aim of the fund, which will be backed by Asian and western investors, is to promote the Taiwan government's policy of becoming an Asian financial centre and to develop the country's fledgling investment banking industry.

Describing it as a sort of merchant bank, Mr Koo said: "This fund aims to expand Taiwan's service in the investment banking sector because that is an area where Taiwan lags behind foreign banks. This is a necessary step in the internationalisation of Taiwan'a banks."

Investment will be spread across sectors and limits will be set for the amount of investment in each area.

The fund will be managed by Mr Jeffrey J. L. Koo, Mr Koo's eldest son, and will be headquartered in Taipei and registered in the Cayman Islands. The fund is to be fully invested in five years and has a duration of 10 years. Once the fund is 75 per cent invested, another similar fund may be launched, depending on investor interest.

Initial investment into the fund has been secured from the Middle East, Europe, the US and Asia, each with roughly equal stakes. Backers include leading Asian corporations, such as Thailand's Bangkok Bank group, Hong Kong's Li & Fung group, Indonesia's Salim group, Singapore's United Overseas Bank and the Philippines Yuchengeo group. Japanese investors include Long-Term Credit Bank of Japan, Mitsubishi Trust, Nikko Securities and Yasuda Trust. Others are large European and US institutional investors and "investment foundations" in the Middle East; the Koo family holds 10 per cent.

The fund will invest 20-25 per cent in Taiwan and tha rest in Hong Kong, China and south-east Asian countries as well as Japan, India, Australia and the US.

The fund's investment committee will be chaired by Mr Koo Sr. Mr Morris Chang, chairman of Taiwan Semiconductor, Taiwan's leading chipmaker, will be senior adviser.

RHB sees opportunity in Asean deregulation

Reuter

Rashid Hussain (left) with Anwar Ibrahim, Malaysia's acting prime minister, yesterday

Mr Rashid Hussain, chairman of RHB, the diversified stockbroking house, aims for the group to be the largest comprehensive financial group in Malaysia and to serve all the countries of south-east Asia, writes Asif Huda in Kuala Lumpur.

At the launch of RHB Capital – formed from the merger of DCB Bank, RHB's banking affiliate, and Kwong Yik Bank, a subsidiary of Maybank, Malaysia's biggest banking group – Mr Rashid said RHB would launch new and innovative products and services, spanning commercial and merchant banking, ssset management and insurance.

RHB Capital, the largest private fund manager in Malaysia, has an asset value of more than M$44bn (US$17.43bn) and manages assets totalling M$2.7bn. It aims to increase this to M$10bn in the near future.

Mr Rashid hoped that countries in the Association of South East Asian Nations (Asean) would liberalise banks and financial institutions and allow the opening of RHB Capital branches.

"Our aim is to see that Asean has home-grown financial groups. They should be allowed to open branches before the multinationals move in," he said.

"I hope that the liberalisation we talk about in Malaysia will be joined by deregulation across the region."

Mr Rashid said the group planned to expand into Thailand through a stockbroking venture and will open a branch in Singapore, though he did not specify a date.

RHB's securities division accounts for about 7 per cent of trades on the Kuala Lumpur Stock Exchange and is a dominant force in the institutional market.

Investor rights move up Daiwa's agenda

At the mention of the word *sokaiya*, Mr Sadakane Doi, chairman of Daiwa Securities, begins to fiddle with his tie. "I do not think we have links with *sokaiya* now," he says.

His unease is understandable. A scandal has erupted at Nomura, Japan's largest securities bouse, and Dai-Ichi Kangyo Bank, over links with *sokaiya*, the extortionists who blackmail companies by threatening to reveal sensitive information at shareholders' meetings.

In other circumstances Nomura's woes might have benefited Daiwa. The group, which had consolidated assets of Y13,426bn ($118bn) in 1996, makes no secret of wanting to compete with Nomura.

But Mr Doi's contemporaries at Nomura and DKB are now under arrest, and the government's investigation has spread to all four big securities houses – including Daiwa.

So far, the events have not triggered any internal reorganisation at Daiwa – not least because the company says it has nothing to atone for – but Mr Doi believes change is pending in an area at the heart of the *sokaiya* problem – shareholder rights.

The Issue is important bacause in Japan most equity has been tied up in cross-shareholdings between friendly companies and banks. This left independent ehareholders with little power and companies under little pressure to disclose information, allowing the *sokaiya* to flourish.

But Mr Doi thinks the structure of shareholding in Jepan is beading for "normalisation". Big Bang, the deregulation of the finance industry, will lead to the unwinding of cross-holdings, he argues. This will force companies to become more open, make their share price more sensitive to performance and increase shareholder pressure.

Mr Doi estimates about 50 per cent of Daiwa's equity is tied up in cross-holdings, with only 13 per cent held by individuals. The company is gradually unwinding its cross-holdings and expects in raise individuals' stakes towards 20 per cent.

"At present, shareholders have little influence because of the cross-holdings. But if these unwind, a management system giving greater preference to our shareholder interests will be advanced," he says.

Daiwa wants to show it is sensitive to independent shareholders' interests, such as dividends and profits, but increasing these may not be easy.

Last year, Daiwa recorded a Y80bn consolidated net loss, as a result of bad-loan write-offs. And although the bad-loan problem is almost over, Big Bang will leave Daiwa facing growing competition from both domestic and foreign rivals.

Mr Doi predicts Big Bang will spark a wave of mergers among Japan'e securities houses, with only the biggest and specialised "boutique" players surviving.

In response, he wants to pull the disparate Daiwa financial companies into a holding company structure when restrictions are lifted, helping to cut unprofitable lines of business.

Daiwa also plans a shift to a margin-driven business culture, away from the traditional Japanese emphasis on scala. "Instead of watching revenues, we will watch profits," Mr Doi says.

But the question worrying investors now is whether the government's *sokaiya* investigation will leave Daiwa facing punishment.

Mr Doi edmits that Mr Ryuichi Koike – the *sokaiya* at the heart of the Nomura scandal – did own shares in Daiwa, but Daiwa did not give him any illegal treatment. "But we can't comment more than that. The problem is that we are still under investigation."

Gillian Tett

ASIA-PACIFIC NEWS DIGEST

Formosa unit in microchip move

The Formosa Plastics group, the Taiwanese petrochemicals concern, moved into the island's electronics industry yesterday with the announcement that Nan Ya Technology, a high-technology division, would invest T$100bn (US$3.6bn) in the construction of three microchip plants in northern Taiwan.

The plan, the latest in a series of large high-tech investment projects outlined in recent months in Taiwan, sent shares in Nan Ya Plastics, which controls unlisted Nan Ya Technology, up T$1.00 to close at T$71.00.

The project should lift the percentage of the petrochemicals group's revenues derived from electronics from the current estimated level of below 20 per cent. The Formosa Plastics group is Taiwan's biggest privately-run industrial group, and Nan Ya Plastics its largest listed company. A site in northern Linkou township has been chosen for the plants, which will produce 8-inch or 12-inch silicon wafers over the next five years, according to Nan Ya Plastics.

The announcement was the fifth involving wafer-making plants in three months. Taiwan Semiconductor, Taiwan's biggest chipmaker, said in April it was launching a T$400bn, 10-year wafer fabrication project in the new Tainan science park in southern Taiwan. In June, United Microelectronics, Taiwan's second-biggest chipmaker, announced a T$500bn (US$18bn), 10-year wafer project, also in Tainan. Also last month, chipmaker Winbond Electronics said it was considering an investment likely to total T$160bn in a 10-year wafer project. Last week, TI-Acer, a joint venture between Acer of Taiwan and Texas Instruments of the US, said it would invest T$100bn to build an eight-inch wafer fabrication plant in Taiwan by 2000.

Nan Ya Technology, founded in 1994, is wholly owned by Formosa Plastics group; Nan Ya Plastics is the leading shareholder, with a 56 per cent stake.

Laura Tyson, Taipei

Ekran revamp continues

Mr Ting Pek Khiing, chairman of Ekran, the main contractor for the Bakun hydroelectric project in Malaysia, said the shake-up of the company was still in progress. He said merchant bankers were working on a restructuring.

Last month Mr Ting cancelled a proposed rights issue for Bakun Hydroelectric, saying that a restructuring was planned. He said Bakun Hydroelectric was studying other ways of raising funds and that an announcement would be made shortly. "The company will decide on the matter – there are so many ways of raising funds," he said. Last week analysts suggested Mr Ting might sell his stake in the group's Wembley Industries subsidiary in the restructuring. Mr Ting refused to comment. "We have not concluded anything," he said.

Analysts said funds from the sale of Wembley Industries would help close gap of M$1.25bn needed to fund a rights issue. Ekran recently undertook a M$1.5bn issue, which was 63 per cent undersubscribed, to part-fund its 32 per cent stake in Bakun. Most of the undersubscribed shares were taken up by the underwriters and sold back to Mr Ting.

Asif Huda, Kuala Lumpur

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Lasmo warns at abolition of Fids

By Roger Taylor

The abolition of foreign income dividends announced last week will turn UK multinationals into sitting targets for foreign buyers, Lasmo, the oil exploration group, has warned the UK government.

In a letter to Mr Gordon Brown, the chancellor, Mr Joe Darby, Lasmo's chief executive, said: "The very independence of Lasmo, and all British companies which have had international success, is put at risk by your proposals, as we will simply be worth more to a foreign acquirer than we can be on our own."

Foreign income dividends – or Fids – were introduced in 1993 to prevent the double taxation of foreign earnings. Under the scheme, if dividends are paid from profits earned and taxed overseas, the advance corporation tax can be reclaimed.

UK companies have objected to Mr Brown's proposal, due to come into effect in April 1999, because it would make their overseas earnings subject to ACT in the UK when distributed as dividends.

Lasmo, the UK'a second largest independent oil company with operations in 13 countries, including Venezuela, Indonesia and and Britain, said it had discussed the issua with the taxation authorities but was told, in effect, that the only way to escape the tax was to be taken over by a foreign buyer.

Although Fids are to be abolished, an exemption will remain under which businesses that are over 80 per cent owned by non-UK residents can pay dividends free of ACT.

Lasmo is concerned that this exemption, combined with abolition of Fids, will maka many UK companies substantially more valuable to foreign buyers than to UK investors since the buyer would be able to receive dividends tax free.

Mr Darby pointed out that if UK multinationals were to be taken over by foreign buyers, the chancellor would get little or none of the revenue he was expecting from the abolition of Fids.

He added that he understood the need to keep the exemption so that Britain could compete as a service centre, but urged the chancellor to reconsider the abolition of Fids.

His letter adds to a chorus of opposition from other multinationals affected by the change. The government indicated last week that it would look sympathetically at the complaints, but it has not said whether it will change its proposals.

City cheers £100m buy-back

By Charis Gresser

Tomkins, the diversified industrial group, bowed to institutional pressure as it announced plans yesterday to buy up to a £100m of its shares.

The company ended its financial year with £617m ($1.04bn) of net cash, as it reported pre-tax profits up by a third to £431.8m. The company has long resisted pressure to reduce its cash pile, arguing it needed to retain money to finance acquisitions. But yesterday, Mr Gregory Hutchings, executive chairman, said: "We have to adapt to market conditions. We are in a bull market and it is harder to get a decent pay-back on a large acquisition, and harder to justify carrying a large amount of cash on the balance sheet."

He added: "There was substantial pressure from institutions". The buy-back will be carried out within three months.

Although there was some disappointment in the City at the size of the buy-back, the company held out the prospect of further buy-backs if it failed to clinch planned acquisitions totalling £300m. The shares rose 14½p to 278¼p.

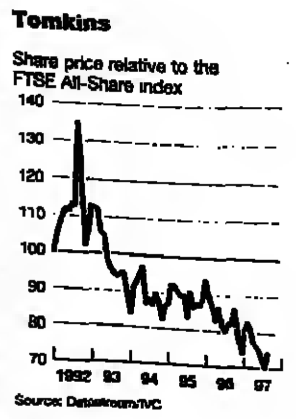
The company is expected to pursue deals which it can bolt on to Gates, the US components group it bought for $1.16bn (£748.4m) last year. It also heralded a more "pro-active divestment approach". It declined to comment on businesses on the auction block, but announced a £39.5m goodwill write-off on proposed disposals.

Group operating profits for the year rose 31 per cent to £398.5m, on turnover of £4.58bn. Operating margins rose from 8.4 per cent to 8.7 per cent.

The full year dividend rose 15.1 per cent to 11.45p, with a final dividend of 8.39p. Earnings per share rose 10 per cent to 20.57p.

LEX COMMENT

Tomkins



As conversions go, this is worth a chorus of hallelujahs. Tomkins has admitted it is no longer practical or sensible to crouch on its cash pile waiting for the next big deal. Instead, the UK's last unreconstructed conglomerate will buy back shares, restrict itself to bolt-on acquisitions and concentrate on improving return on capital. The management even uttered the dreaded F-word, promising to step up disposals and focus on fewer, larger businesses. It is no wonder the market gave a prayer of thanks and marked the shares up 5 per cent. While the management has excelled at running businesses and squeezing cash out of them, it has also hoarded that cash. This has led to poor underlying returns – despite rising profits, Tomkins failed to beat its 10 per cent cost of capital last year – and to poor relations with the City. All the more credit goes to Mr Greg Hutchings, chairman, therefore, for finally accepting the need for a strategic overhaul. The shame is that it has taken five years of share price underperformance to get to this point.

Does yesterday's U-turn go far enough? Of course not. A £100m buy-back from a group capitalised at £3.3bn is mere tinkering. Even with another £300m spent on promised bolt-ons Tomkins will probably have net cash again by next summer. The management's horror of conventional gearing looks increasingly outdated. And big disposals are not yet on the agenda. But this is an important step in the right direction and merits a rerating.

Sema sets out restructuring for US growth

By Paul Taylor

Sema, the Anglo-French software and compnter services group, yesterday unveiled a wide-ranging capital restructuring plan which will enable it to expand its US operations for the first time.

Sema will merge with Financière Sema, its largest shareholder with a 41.17 per cent stake. Financière Sema is jointly owned by Paribas, the banking group, and France Télécom.

In exchange, Paribas and France Télécom will become direct shareholders in Sema, holding a respective 20.62 per cent and 20.55 per cent.

The deal marks an important milestone for Sema which has been seriously constrained until now by its structure. Under the existing arrangement Paribas has controlled the voting rights of Financière Sema's shareholding in Sema.

As a result, under US banking laws Sema has been deemed by the US Federal Reserve to be a banking institution and has therefore been restricted from undertaking any non-financial activities there.

In practice this has meant that Sema has only been able to offer certain types of financially related products, such as billing and related software systems for mobile telephone network oparators.

"The reorganisation of our shareholder structure is a very positive development for Sema, allowing us both much greater access to the vast business potential of the US and the opportunity to offer our services as a single global provider of IT services to multinationals," said Mr Pierre Bonelli, chief executive.

Sema has also agreed to acquire France Télécom's 24.5 per cent stake in Sema Group Outsourcing and the 60 per cent interest in TS FM Holding which it does not already own. Sema will pay France Télécom FFr420m ($71m) in new shares, which includes a FFr116m deferred payment for its initial stake in TS FM.

"The acquisition of the remaining interests in the outsourcing joint ventures from France Télécom will enable Sema to optimise and enhance its outsourcing and systems integration operations in the UK and France," said Mr Bonelli.

Gencor offshoot expects £4bn-£5bn valuation

Billiton poised to raise £1bn

By Jane Martinson

Lydia van der Meer

Mick Davis (left) and Brian Gilbertson, aiming for FTSE 100

Billiton, the base metals operation to be demerged from Gencor, the South African mining group, expects to be valued at between £4.4bn ($7.43bn) and £5.1bn when it is floated later this month.

The listing could raise up to £1.03bn based on 375m new shares priced at the top end of the 210p-240p range published yesterday, and a 15 per cent "greenshoe", or over-subscription, allowance.

The share range published in the pathfinder prospectus yesterday was in the middle of analysts' forecasts.

Mr Brian Gilbertson, chairman and chief executive, said Billiton was "highly confident" that it would become a member of the FTSE 100 from September. Rio Tinto is currently the only mining group in the blue chip index.

He added that the group had been concerned about tax changes to foreign income dividends announced in last week's Budget. However, Mr Mick Davis, chief financial officer, said that a subsequent conversation with the paymaster-general and comments made following the Budget had made him "quite positive" that the "problem" could be resolved.

Mr Gilbertson said that it was "difficult to be precise before the event" about what the group intended to spend the new money on.

Mr Davis expected the percentage of the group's shares held outside Sonth Africa to rise from less than 10 per cent to 28 per cent.

The group announced an estimated attributable profit before exceptionals of at least £204m (£280m) for the year to the end of June with a pro forma dividend of 12p.

The profits were depressed by a disappointing performance at Semancor, part of the ferro-alloys division. The profits figure gives a historic multiple of 17.5-20. SBC Warburg has estimated a multiple for Rio Tinto of 22.8 in the same period and 20.2 for BHP, the Australian mining group.

Bookbuilding in Europe and the US starts tomorrow, with conditional dealings set to begin in two weeks' time.

Lex, Page 14

SE Asian bid for Computer Cab

By Charles Batchelor, Transport Correspondent

Computer Cab, the radio network for London black cab drivers, is poised to accept a bid – for a total of about £8.3m ($14.02m) – from two south-east Asian transport groups.

The development follows the UK company's earlier failure to float on Aim.

But cab drivers who successfully opposed the Aim flotation, which was finally abandoned in April, said they would also fight the sale proposal, because they still believed it was not a good deal.

ComCab had hoped the flotation would raise about £4m to complete the installation of Mobistar, a £7.5m fleet management system.

The company, which is owned by the Licensed Taxi Drivers' Association, now plans to sell an 80 per cent stake to two unnamed bidders with interests in taxi operations in Singapore and Australia. One of the potential suitors is understood to be Singapore Bus Services.

The sale would result in the new owners paying more than £500,000 to acquire shares and taking over £2m of association guarantees to ComCab's bankers.

Carclo hit by fall in steel price

By Roger Taylor

Carclo Engineering, the manufacturer of specialist plastics and metals, blamed a sharp decline in steel prices for a 25 per cent drop in pre-tax profits but said the market had now stabilised.

Pre-tax profits fell to £13.6m (£18.2m) for the year to March 31 on a 7 per cent drop in turnover to £146.2m (£156.9m).

Mr Ian Williamson, chief executive, said "unprecedented conditions" in the steel market had been exacerbated by the strength of sterling. Carclo exports about half its output.

He estimated that currency appreciation had cost the company about £700,000 last year and warned that if the pound strengthened any further it would start to affect demand for Carclo products. However, he added that overall trading was improving.

Lee Steel Strip, part of the precision engineering division, was responsible for most of the reduction in sales and profits. It saw operating profits drop by £3.9m, largely as a result of the fall in steel prices.

Operating profits for the division dropped 68 per cent to £2.1m.

The total dividend is maintained at 10.75p via a proposed 7.31p final; earnings per share fell to 15.4p (20.7p). The shares firmed 4p to 189p.

FKI pays £131m for Bridon

By David Blackwell

FKI, the acquisitive engineering gronp, yesterday agreed to pay £131m ($221.39m) for Bridon, the world's second biggest maker of specialist wire and rope.

Mr Bob Beeston, FKI chief exective, described the acquisition as a perfect fit with the group's materials handling division. The combined business would have 15 per cent of the world market for lifting hardware.

FKI, which will pay 175p for each Bridon share, yesterday bought 22.3m shares – equivalent to just under 30 per cent of the issued capital. The offer represents a 65 per cent premium to the price 10 days ago, when news of talks between the two groups emerged.

FKI shares eased 3p to 157½p, while Bridon shares leapt 34p to 171½p.

Mr Ron Petersen, Bridon chief exective, said he could "wholeheartedly recommend the deal to shareholders – it is a classic case of one plus one equalling three".

In March, Bridon announced a return to profit following restructuring and cost rednctions last year. Mr Beeston said the deal would be earnings enhancing in the first full year.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barr (AG)	8 mths to Apr 26	50.1	(46.2)	3.78	(1.02)	13.3	(3.82)	4	Aug 8	2	-	e65
Brit Bloodstock ϕ	Yr to Mar 31	6.5	(5.88)	0.302	(0.153)	5.8	(3.2)	2	Oct 6	1.5	2	1.5
Budgens	Yr to Apr 27	320.5	(302.8)	9.08	(7.58♠)	4.3	(3.7)	1	Oct 3	0.9	1.4	1.25
Carclo Engineering	Yr to Mar 31	146.2	(156.9)	13.6♠	(18.2)	15.4	(20.7)	7.31	Sept 12	7.31	10.75	10.75
First Information ϕ	6 mths to Apr 30	0.48	(1.79)	0.13L	(1.27♥)	0.7L†	(8)	-	-	-	-	-
Inner Workings ϕ	Yr to Mar 31	0.279	(0.499)	0.532L	(0.22L)	2.87L	(1.42L)	-	-	-	-	-
Low & Bonar	6 mths to May 31	215.2	(211)	21.3	(26.2)	15.13	(18.43)	4.25	Oct 6	4	-	14.7
Scotswood Inds ϕ	6 mths to Mar 31	1.78	(1.51)	0.03	(0.024♠)	0.18†	(0.27)	nil	-	0.5	-	0.5
Tomkins	Yr to May 3	4,589	(3,803)	431.8	(322.9)	21.51	(18.88)	8.39	Oct 5	7.25	11.45	9.95

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Enterprise VCT	6 mths to Apr 30	94	(-)	0.165	(-)	1.33	(-)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ϕAim stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital.

INTERNATIONAL CAPITAL MARKETS

US momentum aids European advance

GOVERNMENT BONDS

By Krishna Guha and Vincent Boland in London and John Labate in New York

Continued momentum in the US – where markets had closed last Friday for the July 4 celebrations – pushed European bonds up in early afternoon trading yesterday.

Italian bonds rose in generally positive markets, still basking in the afterglow of last week's benign US non-farm payroll figures.

Broad endorsement of Italy's preparations for European monetary union at yesterday's maeting of EU finance ministers provided the only market-moving news of the day.

ITALIAN BTPs took the news as a green light to power forward. The benchmark September future contract reached a second consecutive record, closing 0.34 higher at 136.24 in London. The apread over 10-year benchmark German bunds narrowed by 4 basis points to test the 100 basis point barrier for the first time – closing at exactly 100.

Analysts said the 100 basis point mark represented a barrier, but that in "uncharted waters" it did not represent a strong resistance level. Most expect BTPs to breach the 100 basis point spread.

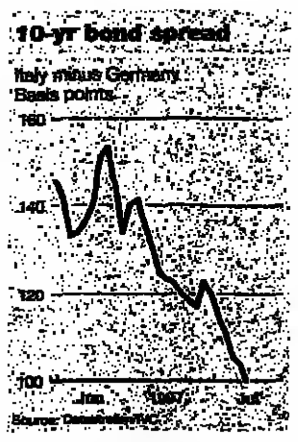
"It will go through at some stage – a buge breakthrough – but the question is whether it is sustainable," said Mr Huw Roberts, bond strategist at NatWest Capital Markets.

Analysts agreed that spreads could not continue to narrow at this excited pace. They said BTPs would probably stall at some stage, like Spanish bonos, which remain stuck at about 60 to 70 basis points above bunds.

Others said 100 basis points already discounted an optimistic picture of Italy's chances of joining Emu on tima in the first wave.

GERMAN BUNDS marched in almost perfect time with Treasuries, maintaining a spread of 80 basis points undar 10-year US Treasuries. The September futures contract closed up 0.4 at 102.82.

Bond strategists expressed "some surprise" at the strength of bunds, attribnting the rise to technical factors. The market awaits news of employment figures tomorrow, rumoured to be stronger than expected.



FRENCH BONDS also closed higher. The September futures contract closed up 0.64 at 130.52 in Paris.

Trading in UK GILTS was quiet as the market continued to digest tha Labour government's first Budget. Most attention was focused on next Thursday's meeting of the Bank of England's monetary policy committee, with analysts expecting interest rates to be raised by 25 basis points.

But there was concern at weaker-than-expected industrial production data showing manufacturing output falling by 1.1 per cent in May, the biggest month-on-month fall in four years. While the market shrugged off tha figures, analysts blamed the strong pound for the slowdown and said a rate increase would probably do further damage to the manufacturing sector.

The futures contract on the benchmark long gilt settlad at 114$\frac{?}{32}$ in London, up $\frac{1}{16}$.

US TREASURIES continued to move higher. The benchmark 30-year bond gained $\frac{?}{32}$ at 100¾, yielding 6.552 per cent. The shorter-term two-year note addsd $\frac{1}{16}$ at 100$\frac{?}{32}$, sending the yield down to 5.880 per cent, while the 10-year bond gained $\frac{?}{32}$ at 102$\frac{?}{32}$, yielding 6.233 per cent.

"We've had quite a nice follow-through from last week's employment report," said Mr Patrick Dimick, Treasury market analyst at UBS Securities in New York.

With no fresh economic news to spur buyers, prices continued to rise on the back of last Thursday's news of a slight rise in unemployment to 5 per cent, with few signs of new inflationary rises.

The mortgage sector appears to be keeping prices higher as well, as some have seen a flow of funds into Treasuries.

NTT poised to return with Y100bn offering

INTERNATIONAL BONDS

By Edward Luce and Michael Lindemann

Tbe eurobond market regained some momentum yesterday after last week's lack of activity, with a flurry of retail-driven deals.

Bankers said the market had been on hold after the high volume of US dollar issues in May and June. But with the US Federal Reserve leaving interest rates unchanged last week, the market regained some of its vibrancy.

"There's probably a two-week window for some lively borrowing before the market heads for the beach," said one official.

Among issues in the pipeline, Nippon Telegraph and Telepbone, Japan's leading telecoms company, is to return to the euroyen market today for the first time since 1986, with a benchmark 10-year issue of up to Y100bo.

Canada is also planning to launcb a US$1bn global offering priced at 8 or 9 basis points over Treasuries, according to speculation.

IBM issued a $200m bond yesterday aimed at its traditional European retail base. ABN Amro, sole bookrunner, said IBM had chosen the four-year sector to exploit a gap in the market. IBM has alraady issued two three-year deals earlier this year. Yesterday's offering was priced to yield 27 basis points over the three-year Treasury or 20.5 basis points over the curve.

ING, the Dutch bank, yesterday returned to the French franc sector with a FFr3bn 10-year issue. An official at Lehman Brothers, joint lead manager with Crédit Agricole and ING itself, said the bank wanted to position itself as one of Europe's pre-eminent borrowers after its return to the D-Mark sector earlier this year.

New Zealand dollars were popular with borrowers, with Commerzbank Overseas Finance and Landesbank Schleswig-Holstein each issuing NZ$100m bonds. Hambros, lead manager for Commerzbank's four-year deal, said there was no shortage of supply in three and five years but there was a gap in the four-year sector.

The Commarzbank offering was timed to follow on from the WestLB four-year NZ dollar eurobond, launched early last month, which is payabla tomorrow, the bank said. The bond was launched at 15 basis points over the New Zealand curve and was bid at the same price last night.

The Landesbank Schleswig Holstein bond was launched at 19 basis points over the February 2001 New Zealand government bond and was unchanged last night.

German and Swiss retail investors needed no introduction to Daimler-Benz, which issued a four-year $150m eurobond from its US subsidiary.

Commerzbank, the lead-manager, said the 5.125 per cent coupon appealed to the proverbial Belgian dentist, given that four-year German rates were currently at only 4.25 per cent. The bond was launched at 25 basis points over the four-year Treasury bill and had tightened to 24 basis points last night.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
CS Financial Products	300	6.375	99.92R	Aug 2001	0.25R	+26(6⅝%May00)	CSFB
IBM International Finance	200	6.375	99.864R	Aug 2001	0.25R	+27(6⅝%May00)	ABN Amro Hoare Govett
World Bank(‡)	200	5.50#	100.00	Jul 2000	1.125	-	Daiwa Europe
SBC Jersey Branch	200	6.00	99.815R	Jul 2000	0.1875R	+2(6⅝%May00)	SBC Warburg
Daimler-Benz North America	150	5.125	95.669R	Aug 2001	0.25R	+25(6⅝%May00)	Commerzbank
STERLING							
Midland Bank‡	300	(a)	100.00R	Jul 2000	0.125R	-	HSBC Markets
KfW International Finance	250	7.25	99.892R	Jul 2007	0.325R	+15(7¼%Dec07)	HSBC/SBC Warburg
FRENCH FRANCS							
MBNA AESO No2, Cls A(b)‡	3bn	(b1,‡)R	(b1)R	Sep 2007	0.325R	+23(‖)	JP Morgan & Co
ING Bank	3bn	5.625	99.53R	Jul 2007	0.35R	+20(‖)	Banque Lehman Brothers
SWISS FRANCS							
BNG	200	3.625	102.50	Aug 2009	2.875	-	Deutsche Morgan Grenfell
CANADIAN DOLLARS							
Rabobank Nederland	100	5.50	99.375R	Aug 2003	0.275R	+5(5½%Sep02)	CIBC Wood Gundy
NEW ZEALAND DOLLARS							
Commerzbank O'seas Fin(‡)	100	6.75	100.75	Aug 2001	1.75	-	Hambros Bank
LB Schleswig-Holstein	100	6.50	99.875	Aug 2001	1.625	-	Toronto Dominion Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) America European Structured Offerings. b1) Priced today. ‖ Over interpolated yield. ‡) Long 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Bulgaria plans new stock market

Bulgaria's reformist government plans to launch a new stock exchange in September to trade shares in a handful of profitable state-controlled companies. The system will be regulated according to international standards.

The new exchange will replace two unregulated bourses in Sofia, which shut down last year following the near-collapse of Bulgaria's banking system, and several small over-the-counter operations in provincial cities.

Mr Alexander Bozhkov, deputy prime minister with responsibility for developing capital markets, said four or five companies would initially be listed. The first offerings of profitable state-owned companies would be followed by sales of residual state shareholdings in companies that have already been sold through Bulgaria's mass privatisation scheme.

The legal framework for the new exchange calls for merging the two defunct bourses, First Bulgarian Stock Exchange and Sofia Stock Exchange, which competed fiercely for investors' funds in the early days of transition. To help restore investor confidence in the stock market, the state would hold a 49 per cent stake in the new exchange but the government would undertake not to intervene in its activities, Mr Bozhkov said.

Kerin Hope, Athens and Theodor Troev, Sofia

Exide takes out $300m loan

Exide, the French-based European battery manufacturer, has taken out a $300m syndicated loan as part of its global financing programme. The company, which issued Europe's third junk bond earlier this year, also plansto issue an asset-backed security later this week. A spokesman at Bankers Trust, which is lead arranger of the 33-member syndicate for the $300m loan, said it was planning a $175m securitised issue which will be backed by receivables from its corporate operations. The $300m loan, which will help retire a $525m umbrella loan taken out in 1995, is priced at a spread of 200 basis points over the London Inter-Bank Offered Rate. The spread can be reduced to a minimum of 100 basis points if Exide's profits improve under a "pricing-grid" system. Part of the loan will also be used for Exide's planned acquisition of Deta, a German acid battery maker. The co-arrangers on the loan are Bank of America, Citibank, Bank of Montreal and Banque National de Paris.

Edward Luce

Matif, Monep in partnership

A joint venture between Matif and Monep, the French futures and options exchanges, has been set up to manage and develop futures contracts on the CAC 40 index of the Paris Bourse, as well as all future stock market indices. The SBF-Paris Bourse will from this week handle the settlement of all such transactions on the CAC 40 index. The exchanges said this would reduce trading costs for members and their clients, and will ensure the "logical continuum" between equities and their derivatives.

Samer Iskandar, Paris

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	123.4381	+0.150	6.79	7.07	7.63
Austria		5.750	04/07	100.2700	+0.470	5.71	5.88	5.97
Belgium		6.250	03/07	104.6200	+0.450	5.62	5.78	6.00
Canada *		7.250	06/07	109.0600	+0.480	6.02	6.34	6.62
Denmark		7.000	06/07	106.4500	+0.420	6.13	6.31	6.40
France	BTAN	4.750	03/02	101.2896	+0.250	4.44	4.57	4.83
	OAT	5.500	04/07	100.6900	+1.040	5.40	5.58	5.83
Germany Bund		6.000	07/07	103.4100	+0.500	5.55	5.71	5.91
Ireland		6.000	08/06	110.9500	+0.300	6.37	6.56	5.70
Italy		6.750	02/07	102.1500	+0.600	6.44†	6.73	7.21
Japan	No 148	5.600	06/02	118.5573	−0.110	1.56	1.67	1.91
	No 182	3.000	09/05	104.9378	−0.160	2.29	2.38	2.69
Netherlands		5.750	02/07	101.9800	+0.200	5.47	5.56	5.61
Portugal		9.500	02/06	121.5600	+0.120	6.19	6.27	6.49
Spain		7.350	03/07	107.9800	+0.380	6.21	6.36	6.65
Sweden		8.000	08/07	110.9928	−0.080	6.48	6.64	7.11
UK Gilts		7.000	05/02	99-17	−1/32	7.11	7.10	7.08
		7.250	12/07	101-24	+2/32	7.01	7.09	7.22
		9.000	10/08	115-02	+2/32	7.04	7.14	7.28
US Treasury *		6.625	05/07	102-23	+8/32	6.25	6.53	6.77
		6.625	02/27	100-24	+16/32	6.57	6.81	7.00
ECU (French Govt)		7.000	04/06	108.6800	+0.440	5.71	5.87	6.13

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.90
Prime rate	8½	Two month	-	Three year	6.02
Broker loan rate	7¼	Three month	5.09	Five year	6.15
Fed funds	5½	Six month	5.22	10-year	6.25
Fed funds at intervention	-	One year	5.53	30-year	6.57

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.96	130.52	+0.64	130.62	129.96	117,522	199,031
Dec	98.60	99.16	+0.64	99.02	98.60	45	3,421
Mar	98.00	98.56	+0.64	98.00	98.00	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jul	Puts Aug	Puts Sep
126	4.52	4.53	-	-	0.00	-
127	3.52	-	-	0.01	0.06	-
128	2.56	2.70	-	0.05	0.19	-
129	1.64	1.86	-	0.12	0.35	-
130	0.84	1.15	-	0.32	0.63	-

Est. vol. total, Calls 18,350 Puts 12,674. Previous day's open int., Calls 90,095 Puts 124,822.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.43	102.82	+0.40	102.93	102.43	126606	278425
Dec	101.57	101.89	+0.40	101.93	101.57	247	8040

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
10250	0.56	0.88	0.67	1.00	0.26	0.56	1.28	1.61
10300	0.30	0.61	0.49	0.80	0.48	0.79	1.60	1.91
10350	0.13	0.39	0.35	0.63	0.81	1.07	1.96	2.24

Est. vol. total, Calls 13092 Puts 32279. Previous day's open int., Calls 163134 Puts 197544

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.56	136.24	+0.66	136.40	135.33	46810	106270
Dec		106.33	+0.56			0	1250

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000		28.33		0
8050		27.83		0
8100		27.33		0

Est. vol. total, Calls 13641 Puts 4693. Previous day's open int., Calls 72690 Puts 89296

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.44	117.71	+0.32	117.73	117.20	60,731	95,889
Dec	-	101.18	+0.40	-	-	-	234

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115-02	114-26	+0-02	115-02	114-17	58191	166428
Dec		114-13	+0-02			0	628

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
114	1-06	1-32	1-41	2-09	0-16	0-44	1-15	1-47
115	0-32	0-59	1-10	1-42	0-44	1-07	1-48	2-16
116	0-11	0-36	0-50	1-16	1-23	1-48	2-24	2-54

Est. vol. total, Calls 750 Puts 168. Previous day's open int., Calls 38845 Puts 29883

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.80	97.20	+0.48	07.24	96.76	893	5,456

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	113-09	113-16	+0-10	113-18	113-03	219,153	423,516
Dec	112-27	113-03	+0-09	113-03	112-25	1,082	26,537
Mar	112-17	112-22	-	112-21	112-17	416	2,397

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	124.83			124.92	124.81	1420	0
Dec	124.10			124.21	124.18	247	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Jul 7	Day's change %	Fri Jul 4	Accrued interest	xd adj. ytd		Low coupon yield Jul 7	Jul 4	Yr. ago	Medium coupon yield Jul 7	Jul 4	Yr. ago	High coupon yield Jul 7	Jul 4	Yr. ago
1 Up to 5 years (20)	119.54	0.01	119.53	2.21	5.78	5 yrs	7.10	7.09	7.31	7.14	7.14	7.36	7.21	7.22	7.43
2 5-15 years (20)	152.36	0.03	152.76	1.90	6.71	15 yrs	6.99	6.99	8.13	7.01	7.02	8.13	7.09	7.06	8.23
3 Over 15 years (6)	163.68	0.00	163.67	6.12	5.02	20 yrs	6.98	6.98	8.24	6.98	6.96	8.22	7.07	7.06	8.30
4 Irredeemables (5)	213.47	−0.20	213.89	2.44	7.34	Irred.†	7.07	7.06	8.33						
5 All stocks (51)	147.34	0.02	147.50	2.80	6.16										

Index-linked							Inflation 5% Jul 7	Jul 4	Yr. ago	Inflation 10% Jul 7	Jul 4	Yr. ago
6 Up to 5 years (2)	206.44	−0.02	206.48	1.82	3.08	Up to 5 yrs	3.59	3.58	2.68	2.95	2.94	1.16
7 Over 5 years (10)	200.26	0.02	200.21	1.94	2.86	Over 5 yrs	3.55	3.55	3.82	3.36	3.36	3.61
8 All stocks (12)	199.74	0.02	199.70	1.90	2.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 7	Jul 4	Jul 3	Jul 2	Jul 1	Yr ago	High*	Low*
Govt. Secs. (UK)	97.28	97.27	96.96	97.12	96.99	92.66	97.51	93.31
Fixed Interest	124.75	124.38	123.66	124.13	123.89	113.85	124.27	115.32

Gilt Edged Activity Indices

	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas Cnv 7pc 1997‡‡	7.00	6.77	100$\frac{1}{32}$	—	101$\frac{?}{32}$	100$\frac{1}{32}$
Treas 8¾pc 1997‡‡	8.73	6.63	100¼	—	107$\frac{?}{32}$	100¼
Exch 15pc 1997	14.65	6.66	102$\frac{?}{32}$	—	111$\frac{?}{32}$	102$\frac{?}{32}$
Exch 9¾pc 1998	9.61	6.83	101½	—	105$\frac{?}{32}$	100$\frac{?}{32}$
Treas 7¼pc 1998‡‡	7.24	6.96	100$\frac{?}{32}$	—	109$\frac{?}{32}$	100$\frac{?}{32}$
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Funding 3½pc 1999-4	4.05	5.80	86$\frac{?}{32}$xd	−$\frac{1}{32}$	87$\frac{?}{32}$	80$\frac{?}{32}$
Conv 9½pc 2004	8.37	7.09	113$\frac{?}{32}$	—	114$\frac{?}{32}$	108$\frac{?}{32}$
Treas 6¾pc 2004‡‡	6.97	7.04	96¼	—	99$\frac{?}{32}$	93$\frac{?}{32}$
Conv 9½pc 2005	8.32	7.08	114$\frac{?}{32}$	+$\frac{1}{32}$	122$\frac{?}{32}$	109$\frac{?}{32}$
Exch 10½pc 2005	8.69	7.06	120$\frac{?}{32}$	—	121$\frac{?}{32}$	117$\frac{?}{32}$
Treas 12½pc 2003-5	9.86	7.17	126$\frac{?}{32}$	—	129$\frac{?}{32}$	124$\frac{?}{32}$
[illegible]						

Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	-	3.00	114$\frac{?}{32}$	−$\frac{1}{32}$	114$\frac{?}{32}$	113$\frac{?}{32}$
2½pc '99	2.08	3.17	182$\frac{?}{32}$	−$\frac{1}{32}$	182$\frac{?}{32}$	179$\frac{?}{32}$
2½pc '01 (78.3)	2.94	3.59	186$\frac{?}{32}$	−$\frac{1}{32}$	187$\frac{?}{32}$	180$\frac{?}{32}$
2½pc '03 (78.8)	3.13	3.59	192$\frac{?}{32}$	—	184$\frac{?}{32}$	175$\frac{?}{32}$
4⅝pc '04‡‡ (135.6)	3.16	3.58	118$\frac{?}{32}$	−$\frac{1}{32}$	120$\frac{?}{32}$	114$\frac{?}{32}$
[illegible]						

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 7

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 8½ 00	1000	100⅛	100¼	+¼	6.47
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Spain 7¼ 00	4000	111½	111⅝	+⅛	4.87
Volkswagen Intl Fin 7 03	1000	108¾	109⅛	−⅛	5.23
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 6 03 £	1000	101⅞	102⅛		7.57
British Land 8⅞ 23 £	150	108⅛	108⅜	+⅛	8.28
[illegible]					

SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

صكاكا من الاجل

CURRENCIES AND MONEY

Trade and Emu fears dent dollar

MARKETS REPORT

By Simon Kuper

The dollar fell against the yen and D-Mark yesterday, hurt by e new surge in Japan's trade surplus and renewed belief that European monetary union might be delayed.

Japan's surplus – growing fast for months and irritating Washington – more than doubled in the first 20 days of June compared with the same period last year. The Japanese finance ministry said that the yen's slide in the two years from April 1995 was still edding to the surplus, although the slide's effect was diminishing. The yen rebounded about 11 per cent against the dollar in May. Many currency strategists believe thet Washington wants the yen to rise further in order to dent the Japanese surplus. Yesterday the yen gained Y1.2 against the dollar to close in London at Y112.4.

The D-Mark also advanced against the US currency. It was aided by comments in the Financial Times from Mr Edmund Stoiber, premier of Bavaria and a senior member of the Christian Social Union, the coalition partner of Germany's ruling Christian Democratic Union. The CSU's leader is Mr Theo Waigel, German finance minister.

Mr Stoiber told the FT that it would be better to seek s "controlled delay" to Emu than to go ahead with the process if that meant creating e weak euro, the putative single European currency. It has become increasingly clear that Germany, France and several other European states are likely to miss some of the fiscal criteria for Emu laid down in the Maastricht Treaty. Mr Stoiber said he expected countries wanting to join Emu to keep their fiscal deficits for 1997 below 3.0 per cent of gross domestic product. Many economists expect France, Germany and others to miss this target.

However, most in the market continued to believe that Emu would start on schedule in January 1999, and the lira softened only slightly against the D-Mark yesterday, while the French franc was unchanged. The yield gap between Italian and German bonds fell to just 100 basis points, showing that the bond market elso believes that Emu will start with a broad group of entrants including Italy.

The dollar suffered further from a report that Mr Alan Greenspan, chairman of the US Federal Reserve, had become more doveish on the need for further interest rate rises. The Fed left rates unchanged after its Open Market committee meeting last week, despite the booming US economy.

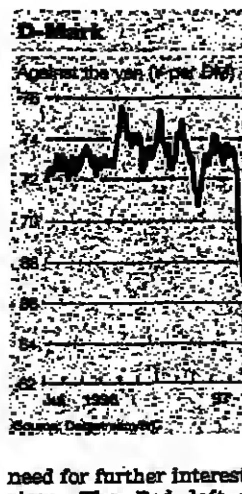
Mr. Greenspan was reported by BusinessWeek magazine to believe that growing global competition had helped slow American wage rises, and that US productivity had increased.

■ Pound in New York

Jul 7	Latest	Prev. close
£ spot	1.6870	1.6805
1 mth	1.6853	1.6889
3 mth	1.6816	1.6852
1 yr	1.6682	1.6690

D-Mark

Against the yen (Y per DM)



Source: Datastream/ICV

■ Sterling initially fell from its five-year highs on e new sign that the soaring pound is hurting British manufacturers. Manufacturing output data showed a 1.1 per cent fall in May, the biggest decline since June 1993, compared with a forecast rise of 0.2 per cent. That sent the pound falling 2.1 pfennigs against the D-Mark to DM2.939. This slide also weighed on the dollar.

However, sterling returned to DM2.957 in late trading last night, as forex strategists maintained their belief that the Bank of England's monetary policy committee would raise base rates on Thursday in order to slow consumer spending.

■ OTHER CURRENCIES

Jul 7	£	$
Czech Rp	54.3188 - 54.4272	32.2520 - 32.3010
Hungary	316.225 - 316.460	187.760 - 187.810
Iran	5055.00 - 5052.60	3000.00 - 3000.00
Kuwait	0.5088 - 0.5092	0.3021 - 0.3022
Poland	5.5099 - 5.5192	3.2715 - 3.2755
Russia	9749.83 - 9759.52	5789.00 - 5792.00
U.A.E.	6.1835 - 6.1882	3.6715 - 3.6725

■ 4CAST, the economic consultancy, yesterday carried out s survey of European dealing desks to find out what e UK rate rise this week would do to sterling. It received an impressive 75 complete responses, and found that 61 forecast a rate rise of just 25 basis points. Six expected a 50 basis point increase, while 8 thought there would be no change at all. The consensus was that a 25-point increase would do very little to sterling at all, while one respondent thought a 50-point rise could take the pound as high as DM3.05 to the German currency by Friday.

■ The Mexican peso firmed on relief that mid-term elections on Sunday had passed off smoothly. In late trading yesterday the benchmark 48-hour was peso was 4.3 centavos firmer at 7.9010/7.9040 to the dollar. There had been relatively few allegations of electoral fraud.

POUND SPOT FORWARD AGAINST THE POUND

Jul 7		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.6828	-0.145	736 - 920	20.8601	20.8267	20.6284	3.2	20.5157	3.3	20.0102	3.2	102.3
Belgium	(BFr)	60.6397	-0.4382	177 - 617	61.1510	60.4920	60.4726	3.3	60.1293	3.4	58.589	3.4	101.9
Denmark	(DKr)	11.1907	-0.0789	863 - 950	11.2839	11.1640	11.1634	2.9	11.108	3.0	10.8585	3.0	104.3
Finland	(FM)	8.7465	-0.0604	402 - 527	8.8200	8.7290	8.7211	3.6	8.6686	3.6	8.456	3.3	82.0
France	(FFr)	9.9103	-0.0712	065 - 140	9.9955	9.8848	9.8841	3.2	9.8296	3.3	9.5849	3.3	104.4
Germany	(DM)	2.9393	-0.0207	381 - 405	2.9676	2.9304	2.9309	3.4	2.9135	3.5	2.8367	3.5	102.7
Greece	(Dr)	462.719	-2.741	461 - 954	467.246	461.062	464.501	-4.6	467.125	-3.8	475.493	-2.8	65.1
Ireland	(I£)	1.1050	-0.0061	029 - 071	1.1136	1.1019	1.1046	0.4	1.1036	0.5	1.0958	0.9	99.0
Italy	(L)	2864.66	-15.65	331 - 602	2884.47	2860.41	2864.74	0.0	2864.76	0.0	2863.11	0.1	76.3
Luxembourg	(LFr)	60.6397	-0.4382	177 - 617	61.1510	60.4920	60.4726	3.3	60.1293	3.4	58.588	3.4	101.9
Netherlands	(Fl)	3.3061	-0.0233	066 - 093	3.3396	3.3002	3.2967	3.4	3.2796	3.4	3.1957	3.4	101.2
Norway	(NKr)	12.2868	-0.0574	797 - 939	12.3529	12.2264	12.2541	3.2	12.1883	3.2	11.9228	3.0	96.0
Portugal	(Es)	296.540	-2.099	386 - 695	298.814	295.752	296.384	0.6	295.954	0.9	291.768	1.6	92.7
Spain	(Pta)	248.208	-1.967	066 - 352	250.180	247.780	247.855	1.2	247.281	1.5	243.883	1.8	78.8
Sweden	(SKr)	12.9867	-0.0415	870 - 043	13.0588	12.9375	12.9713	2.3	12.9189	2.4	12.7086	2.2	84.3
Switzerland	(SFr)	2.4533	-0.0217	519 - 547	2.4800	2.4483	2.4426	5.2	2.4215	5.2	2.3306	5.0	104.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.3
Ecu	-	1.4938	-0.0097	931 - 945	1.5047	1.4913	1.4909	2.4	1.4844	2.5	1.4548	2.6	-
SDR†	-	1.207900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6844	-0.0025	839 - 848	1.6913	1.6810	-	-	-	-	-	-	-
Brazil	(R$)	1.8154	-0.003	149 - 159	1.8236	1.8123	-	-	-	-	-	-	-
Canada	(C$)	2.3159	-0.0031	149 - 169	2.3289	2.3098	2.3091	3.5	2.2959	3.5	2.2464	3.0	84.8
Mexico	(New Peso)	13.3067	-0.1325	951 - 182	13.4426	13.2812	-	-	-	-	-	-	-
USA	($)	1.6846	-0.0031	842 - 850	1.6926	1.6813	1.6829	1.2	1.6795	1.2	1.6632	1.3	101.9
Pacific/Middle East/Africa													
Australia	(A$)	2.2665	+0.0128	652 - 678	2.2735	2.2539	2.2659	0.3	2.264	0.4	2.254	0.6	90.7
Hong Kong	(HK$)	13.0424	-0.0248	384 - 463	13.1024	13.0213	13.0414	0.1	13.035	0.2	12.9799	0.5	-
India	(Rs)	60.3003	-0.0561	438 - 567	60.5530	60.0590	60.4955	-3.9	60.8961	-4.0	62.5758	-3.8	-
Israel	(Shk)	6.0161	+0.0056	964 - 357	6.0370	5.9835	-	-	-	-	-	-	-
Japan	(Y)	189.307	-2.483	203 - 411	192.800	188.890	188.332	6.2	186.377	6.2	178.092	5.9	135.6
Malaysia	(M$)	4.2533	-0.0073	514 - 551	4.2716	4.2469	4.2576	-1.2	4.2656	-1.2	4.2842	-0.7	-
New Zealand	(NZ$)	2.4970	+0.0061	951 - 989	2.5061	2.4926	2.4968	0.1	2.4978	-0.1	2.505	-0.3	110.2
Philippines	(Peso)	44.4819	-0.0734	955 - 683	44.6160	44.3659	44.6415	-4.3	44.8912	-3.7	45.9482	-3.3	-
Saudi Arabia	(SR)	6.3185	-0.0108	166 - 204	6.3478	6.3081	6.315	0.7	6.3085	0.8	6.2701	0.8	-
Singapore	(S$)	2.4185	-0.0061	166 - 197	2.4309	2.4157	2.4137	2.3	2.4036	2.4	2.3554	2.6	-
South Africa	(R)	7.6438	+0.0028	395 - 482	7.6784	7.6216	7.7046	-9.5	7.8225	-9.3	8.2595	-8.1	-
South Korea	(Won)	1494.24	-3.34	052 - 797	1501.84	1489.26	-	-	-	-	-	-	-
Taiwan	(T$)	47.0004	-0.0083	555 - 452	47.2220	46.9625	46.9838	0.4	46.944	0.5	46.7483	0.5	-
Thailand	(Bt)	48.5671	+0.0456	713 - 628	48.8080	48.4380	48.9037	-8.3	49.3653	-6.6	50.3855	-3.8	-

† Rates for Jul 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 7		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.2778	-0.0633	750 - 801	12.3520	12.2590	12.2536	2.3	12.2046	2.4	11.9806	2.4	101.9
Belgium	(BFr)	35.9965	-0.1935	920 - 010	36.2380	35.9560	35.9215	2.5	35.77	2.5	35.0765	2.6	101.8
Denmark	(DKr)	6.6429	-0.0346	419 - 439	6.6937	6.6349	6.6312	2.1	6.6089	2.2	6.5005	2.1	103.5
Finland	(FM)	5.1920	-0.0263	895 - 945	5.2238	5.1874	5.1805	2.7	5.1569	2.7	5.063	2.5	81.3
France	(FFr)	5.8829	-0.0314	820 - 837	5.9187	5.8715	5.8714	2.4	5.8476	2.4	5.7387	2.5	109.9
Germany	(DM)	1.7448	-0.0091	445 - 451	1.7570	1.7420	1.7409	2.6	1.7331	2.7	1.6982	2.7	102.3
Greece	(Dr)	274.675	-1.12	600 - 750	276.690	273.850	275.97	-5.7	278.025	-4.9	285.175	-3.8	64.7
Ireland	(I£)	1.5245	+0.0055	220 - 270	1.5280	1.5173	1.5237	0.5	1.5228	0.4	1.5232	0.1	-
Italy	(L)	1700.50	-6.15	010 - 090	1708.00	1697.50	1702.27	-1.2	1705.28	-1.1	1708.7	-0.5	76.1
Luxembourg	(LFr)	35.9965	-0.1935	920 - 010	36.2380	35.9560	35.9215	2.5	35.77	2.5	35.0765	2.6	101.8
Netherlands	(Fl)	1.9637	-0.0102	634 - 640	1.9776	1.9614	1.9594	2.6	1.9509	2.6	1.9132	2.6	101.2
Norway	(NKr)	7.2936	-0.0206	911 - 961	7.3282	7.2606	7.2791	2.4	7.2507	2.4	7.139	2.1	95.4
Portugal	(Es)	176.030	-0.92	980 - 080	176.870	175.750	175.884	0.2	175.94	0.2	174.77	0.7	93.1
Spain	(Pta)	147.340	-0.895	290 - 390	148.170	147.200	147.295	0.4	147.12	0.6	145.945	0.9	76.4
Sweden	(SKr)	7.7144	-0.0105	111 - 177	7.7179	7.6644	7.7054	1.4	7.686	1.5	7.612	1.3	84.1
Switzerland	(SFr)	1.4583	-0.0102	558 - 588	1.4685	1.4542	1.4509	4.4	1.4403	4.4	1.3948	4.2	103.8
UK	(£)	1.6846	-0.0031	842 - 850	1.6926	1.6818	1.6829	1.2	1.6795	1.2	1.6632	1.3	103.5
Ecu	-	1.1278	+0.0032	275 - 280	1.1290	1.1249	1.1292	-1.5	1.1324	-1.6	1.148	-1.6	-
SDR†	-	0.71700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0777	+0.0002	776 - 777	1.0779	1.0775	-	-	-	-	-	-	-
Canada	(C$)	1.3748	+0.0007	745 - 750	1.3760	1.3715	1.3717	2.7	1.3659	2.6	1.3454	2.1	84.7
Mexico	(New Peso)	7.8930	-0.064	940 - 040	7.9050	7.8930	8.0075	-16.5	8.2185	-16.2	9.129	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3454	+0.01	450 - 459	1.3462	1.3432	1.3452	0.2	1.3448	0.2	1.3403	0.4	94.2
Hong Kong	(HK$)	7.7421	-0.0004	416 - 426	7.7490	7.7413	7.7426	-0.1	7.7435	-0.1	7.7458	0.0	-
India	(Rs)	35.7950	+0.0325	700 - 200	35.8320	35.5800	35.9325	-4.6	36.2175	-4.7	37.43	-4.6	-
Israel	(Shk)	3.5712	+0.0099	604 - 820	3.5841	3.5435	-	-	-	-	-	-	-
Japan	(Y)	112.375	-1.265	340 - 410	114.160	111.980	111.88	5.5	110.86	5.4	106.56	5.2	135.5
Malaysia	(M$)	2.5248	+0.0003	243 - 253	2.5260	2.5225	2.5293	-2.1	2.5383	-2.1	2.5683	-1.7	-
New Zealand	(NZ$)	1.4823	+0.0064	815 - 830	1.4835	1.4806	1.4831	-0.6	1.4855	-0.9	1.4956	-0.9	-
Philippines	(Peso)	26.4050	+0.005	600 - 500	26.4800	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	+0.0006	505 - 510	3.7515	3.7501	3.7515	-0.2	3.7525	-0.2	3.7571	-0.2	-
Singapore	(S$)	1.4355	-0.001	350 - 360	1.4379	1.4345	1.4338	1.5	1.43	1.5	1.4105	1.7	-
South Africa	(R)	4.5375	+0.01	350 - 390	4.5400	4.5270	4.578	-10.7	4.6575	-10.6	4.96	-9.3	-
South Korea	(Won)	887.000	-0.35	000 - 000	889.500	884.200	-	-	-	-	-	-	-
Taiwan	(T$)	27.9000	+0.0475	800 - 200	27.9300	27.8580	27.911	-0.5	27.92	-0.3	28.0125	-0.4	-
Thailand	(Bt)	28.8300	+0.08	800 - 800	28.8800	28.8500	29.275	-16.5	29.98	-16.0	31.21	-8.3	-

† SDR rate per $ for Jul 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 3: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 7	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 11/32	3 3/8	3 3/8	3 3/8	3 13/32	6.00	2.50	-
France	3 1/4	3 3/8	3 1/4	3 3/8	3 1/2	3.10	-	4.75
Germany	3 1/8	3 1/8	3 1/8	3 1/8	3 3/8	4.50	2.50	3.00
Ireland	6	6 1/4	6 3/8	6 1/2	6 5/8	-	-	6.75
Italy	6 13/16	6 7/8	6 27/32	6 3/4	6 13/16	7.75	6.25	6.82
Netherlands	3 1/8	3 1/8	3 3/16	3 1/4	3 3/8	-	2.50	2.90
Switzerland	1 1/8	1 1/8	1 1/4	1 1/8	1 1/2	-	1.00	-
US	5 1/2	5 19/32	5 11/16	5 25/32	6 1/32	-	5.00	-
Japan	1/2	3/8	5/8	3/4	5/8	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5 19/32	5 3/4	5 27/32	6 1/16	-	-	-
US Dollar CDs	-	5.45	5.58	5.64	5.78	-	-	-
ECU Linked Ds	-	4 1/2	4 3/8	4 1/8	4 3/8	-	-	-
SDR Linked Ds	-	3 1/4	3 3/8	3 1/2	3 11/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 7	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 3/4 - 3 1/4	3 11/32 - 3 7/32	3 3/8 - 3 1/4	3 3/8 - 3 1/4	3 3/8 - 3 1/4	3 15/32 - 3 3/8
Danish Krone	3 13/32 - 3 5/16	3 5/16 - 3 1/2	3 5/16 - 3 3/16	3 5/8 - 3 1/2	3 11/16 - 3 9/16	3 13/16 - 3 11/16
German Mark	3 1/8 - 2 31/32	3 1/8 - 3	3 1/8 - 3	3 1/4 - 3 1/8	3 5/16 - 3 3/16	3 11/16 - 3 9/16
Dutch Guilder	3 1/8 - 2 15/16	3 3/32 - 2 31/32	3 1/8 - 3	3 7/32 - 2 31/32	3 1/4 - 3 1/8	3 1/4 - 3
French Franc	3 7/32 - 3 1/8	3 5/16 - 3 3/16	3 3/8 - 3 1/4	3 3/8 - 3 1/4	3 7/16 - 3 11/32	3 17/32 - 3 13/32
Portuguese Esc.	5 23/32 - 5 17/32	5 15/16 - 5 27/32	6 1/32 - 5 29/32	5 7/8 - 5 13/16	5 31/32 - 5 7/8	5 13/16 - 5 13/16
Spanish Peseta	5 7/32 - 5 5/32	5 3/8 - 5 1/4	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 7/32 - 5 3/32
Sterling	6 5/8 - 6 1/2	6 5/8 - 6 1/2	6 27/32 - 6 23/32	7 1/32 - 6 29/32	7 3/16 - 7 1/16	7 1/2 - 7 1/4
Swiss Franc	1 3/4 - 1 1/4	1 7/16 - 1 13/32	1 17/32 - 1 3/8	1 13/32 - 1 3/8	1 15/32 - 1 3/8	1 13/16 - 1 7/16
Canadian Dollar	3 5/8 - 3 1/2	3 3/8 - 3 1/8	3 11/16 - 3 7/16	3 15/16 - 3 13/16	3 31/32 - 3 27/32	4 3/8 - 3 31/32
US Dollar	5 7/16 - 5 5/16	5 23/32 - 5 17/32	5 21/32 - 5 17/32	5 3/4 - 5 5/8	5 27/32 - 5 23/32	6 1/16 - 5 15/16
Italian Lira	7 3/16 - 6 5/16	7 - 6 27/32	6 29/32 - 6 27/32	6 29/32 - 6 25/32	6 13/16 - 6 7/16	6 7/16 - 6 3/8
Japanese Yen	17/32 - 1/2	9/16 - 17/32	17/32 - 7/16	11/16 - 21/32	23/32 - 11/16	13/16 - 29/32
Asian $Sing	2 - 1 7/8	3 1/2 - 3 3/8	3 5/8 - 3 1/2	3 5/8 - 3 1/2	3 11/16 - 3 9/16	3 7/8 - 3 3/4

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.57	96.59	+0.02	96.59	96.57	8,331	71,510
Dec	96.54	96.55	+0.01	96.56	96.54	3,489	34,372
Mar	96.49	96.51	+0.02	96.51	96.49	1,880	30,901

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.84	96.85	+0.01	96.86	96.84	11732	287310
Dec	96.77	96.79	+0.02	96.79	96.77	11303	264352
Mar	96.67	96.70	+0.03	96.71	96.67	12164	246585
Jun	96.52	96.56	+0.03	96.56	96.52	7456	180968

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jul		96.89	-			0	431
Aug		96.88	-			0	290
Sep		96.88	-			0	3
Oct		96.86	-			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.47	93.48	-0.01	93.50	93.44	10067	111303
Dec	93.88	93.91	+0.02	93.93	93.87	7309	85618
Mar	94.18	94.23	+0.04	94.25	94.17	5314	50340
Jun	94.40	94.47	+0.06	94.49	94.39	4386	35885

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.48	98.53	+0.05	98.54	98.48	10340	82423
Dec	98.34	98.38	+0.05	98.39	98.34	5289	44446
Mar	98.25	98.29	+0.04	98.31	98.25	944	15844
Jun	98.17	98.15	+0.04	98.17	98.12	273	5930

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.32	-0.01			0	n/a
Dec		99.18	-0.01			0	n/a
Mar		99.01	-0.02			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.84	95.84	+0	95.85	95.84	65	8725
Dec	95.83	95.83	+0	95.83	95.83	2	6243
Mar	95.80	95.82	+0.01	95.82	95.80	12	4260
Jun	95.77	95.79	+0.01	95.77	95.77	13	3033

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.29	0.72	1.04	0.06	0.06	0.06
9350	0.12	0.51	0.83	0.14	0.10	0.10
9375	0.04	0.32	0.63	0.31	0.16	0.15

Est. vol. total, Calls 6300 Puts 4600. Previous day's open int., Calls 87275 Puts 47740

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 7		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.34	4.847	1.822	4724	5.455	20.26	489.0	409.3	21.43	4.046	1.649	3.818	2.778	312.2	2.483
Denmark	(DKr)	54.19	10	8.856	2.627	0.987	2560	2.956	10.98	265.0	221.8	11.61	2.192	0.894	2.070	1.505	169.2	1.335
France	(FFr)	61.19	11.29	10	2.966	1.115	2891	3.338	12.40	299.2	250.5	13.11	2.475	1.009	2.337	1.700	191.0	1.507
Germany	(DM)	20.63	3.807	3.372	1	0.376	974.8	1.125	4.180	100.9	84.45	4.421	0.835	0.340	0.788	0.573	64.41	0.508
Ireland	(I£)	54.88	10.13	8.968	2.660	1	2592	2.994	11.12	268.4	224.8	11.76	2.220	0.905	2.096	1.525	171.3	1.352
Italy	(L)	2.117	0.391	0.346	0.103	0.039	100	0.115	0.429	10.35	8.665	0.454	0.086	0.035	0.081	0.059	6.608	0.052
Netherlands	(Fl)	18.33	3.383	2.996	0.889	0.334	866.0	1	3.714	89.64	75.03	3.929	0.742	0.302	0.700	0.509	57.23	0.452
Norway	(NKr)	49.35	9.108	8.066	2.392	0.899	2331	2.692	10	241.3	202.0	10.58	1.997	0.814	1.885	1.371	154.1	1.216
Portugal	(Es)	20.45	3.774	3.342	0.991	0.373	966.0	1.116	4.143	100	83.70	4.382	0.827	0.337	0.781	0.568	63.84	0.504
Spain	(Pta)	24.43	4.509	3.993	1.184	0.445	1154	1.333	4.950	119.5	100	5.236	0.988	0.403	0.933	0.679	76.27	0.602
Sweden	(SKr)	46.66	8.611	7.626	2.262	0.850	2204	2.546	9.455	228.2	191.0	10	1.888	0.769	1.782	1.296	145.7	1.149
Switzerland	(SFr)	24.72	4.562	4.040	1.198	0.450	1168	1.348	5.008	120.9	101.2	5.297	1	0.408	0.944	0.687	77.18	0.609
UK	(£)	60.64	11.19	9.910	2.939	1.105	2865	3.308	12.29	296.5	248.2	13.00	2.453	1	2.316	1.685	189.3	1.494
Canada	(C$)	26.18	4.832	4.279	1.269	0.477	1237	1.428	5.305	128.0	107.2	5.611	1.059	0.432	1	0.727	81.74	0.645
USA	($)	36.00	6.643	5.883	1.745	0.656	1701	1.964	7.294	176.0	147.3	7.714	1.458	0.594	1.375	1	112.4	0.887
Japan	(Y)	32.03	5.911	5.235	1.553	0.584	1513	1.747	6.490	156.6	131.1	6.865	1.296	0.528	1.223	0.890	100	0.789
Ecu	-	40.60	7.492	6.635	1.968	0.740	1918	2.215	8.226	198.5	166.2	8.700	1.642	0.669	1.551	1.128	126.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5743	0.5753	+0.0015	0.5769	0.5723	19,295	89,645
Dec	0.5792	0.5794	+0.0018	0.5794	0.5792	14	1,023
Mar	-	0.5814	-	0.5827	-	3	227

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8896	0.8992	+0.0096	0.9014	0.8857	20,385	58,759
Dec	0.9110	0.9106	+0.0094	0.9117	0.9106	191	1,083
Mar	-	0.9220	+0.0090	0.9220	-	3	107

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6874	0.6914	+0.0043	0.6928	0.6860	15,986	50,357
Dec	0.6990	0.6990	-	0.6990	0.6990	38	844
Mar	-	0.7060	+0.0042	0.7060	-	100	153

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6866	1.6784	-0.0088	1.6896	1.6760	16,480	59,818
Dec	-	1.6730	-0.0086	-	1.6730	237	773
Mar	-	1.6540	-	-	1.6670	1	2

UK INTEREST RATES

LONDON MONEY RATES

Jul 7	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 3/4 - 4 1/2	6 5/8 - 6 1/2	6 13/16 - 6 11/16	7 1/8 - 7	7 1/4 - 7 1/8	7 1/2 - 7 3/8
Sterling CDs	-	-	6 5/8 - 6 1/2	6 13/16 - 6 3/4	6 15/16 - 6 7/8	7 3/8 - 7 1/4
Treasury Bills	-	-	6 5/8 - 6 7/16	6 17/32 - 6 15/32	-	-
Bank Bills	-	-	6 21/32 - 6 19/32	6 1/2 - 6 13/32	6 29/32 - 6 27/32	-
Local authority deps.	6 3/4 - 6 1/4	6 1/2 - 6 3/8	6 11/16 - 6 9/16	6 15/16 - 6 13/16	6 31/32 - 6 7/8	7 1/2 - 6 31/32
Discount Market deps	6 3/4 - 5 1/2	6 5/8 - 6 1/4	-	-	-	-

UK clearing bank base lending rate 6 1/2 per cent from Jun 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 1/2

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Jul 4, 6.3983pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.26pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.736pc. Finance House Base Rate 7pc from Jul 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.84	92.85	+0.01	92.89	92.84	20037	139887
Dec	92.64	92.65	+0.01	92.70	92.63	32503	127201
Mar	92.56	92.56	-	92.61	92.54	9168	94933
Jun	92.55	92.54	-0.01	92.59	92.53	7464	58226
Sep	92.57	92.55	-0.02	92.60	92.54	3594	39320

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.16	0.12	0.17	0.06	0.22	0.36
9300	0.04	0.04	0.09	0.19	0.39	0.53
9325	0	0.01	0.04	0.40	0.61	0.73

Est. vol. total, Calls 4001 Puts 7725. Previous day's open int., Calls 138211 Puts 129037

EMS EUROPEAN CURRENCY UNIT RATES

Jul 7	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.87829	+6e-05	0.38	2.64	-3
Portugal	197.398	199.057	-0.095	0.85	2.16	-6
Italy	1906.48	1924.23	-0.26	0.93	2.08	-7
Ireland	0.798709	0.743218	+0.000013	-6.95	10.72	47
Spain	163.826	166.822	-0.062	1.71	1.30	-12
Denmark	7.34555	7.51548	-0.00625	2.31	0.70	-16
Netherlands	2.16979	2.22157	-0.00176	2.39	0.62	-18
Germany	1.92573	1.97370	-0.00158	2.49	0.52	-25
Austria	13.5485	13.8884	-0.0107	2.51	0.50	-18
Belgium	39.7191	40.7251	-0.032	2.53	0.48	-18
France	6.45863	6.65403	-0.00284	3.03	0.00	-25
NON ERM MEMBERS						
Greece	295.269	310.865	-0.239	5.21	-2.08	-
UK	0.793103	0.671685	+0.00276	-15.28	21.81	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.650	2.70	-	3.61	0.09	0.75	1.24
1.660	1.89	2.66	2.97	0.24	1.07	1.61
1.670	1.13	2.01	2.45	0.45	1.48	2.05

Previous day's vol., Calls 5,474 Puts 4,231. Prev. day's open int., Calls 9,640 Puts 17,096

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
0.570	0.38	0.78	1.06	0.20	0.49	0.65
0.575	0.15	0.55	0.80	0.46	0.71	0.89
0.580	0.04	0.37	0.58	0.85	1.03	1.16

Previous day's vol., Calls 2,501 Puts 3,100. Prev. day's open int., Calls 30,060 Puts 31,439

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.20	94.22	+0.02	94.23	94.21	163,467	580,905
Dec	94.05	94.07	+0.02	94.08	94.06	180,136	455,762
Mar	94.00	94.02	-	94.02	93.99	132,907	310,518

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.87	94.89	+0.03	94.89	94.86	238	8,076
Dec	94.75	94.75	+0.03	94.75	94.75	20	534

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9675	0.10	0.11	0.11	0.11	0	0.01	0.01	0.07
9700	0	0	0.01	0.03	0.15	0.15	0.13	0.24
9725	0	0	0	0	0.40	0.40	0.40	0.46

Est. vol. total, Calls 963 Puts 1228. Previous day's open int., Calls 349002 Puts 255152

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9875	0.04	0.06	0.09	0.26	0.43	0.55
9900	0.01	0.02	0.03	0.48	0.64	0.74

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3025 Puts 3256

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Scottish Widows Bank	6.50
Allied Irish Bank (GB)	6.50	Exeter Bank Limited	7.50	•Singer & Friedlander	6.50
•Henry Ansbacher	6.50	Financial & Gen Bank	7.50	•Smith & Williamson Secs	6.50
Bank of Baroda	6.50	•Robert Fleming & Co	6.50	TSB	6.50
Banco Bilbao Vizcaya	6.50	•Guinness Mahon	6.50	United Bank of Kuwait	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Unity Trust Bank Plc	6.50
Bank of Ireland	6.50	•Hambros Bank	6.50	Western Trust	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.50	Whiteaway Laidlaw	6.50
Bank of Scotland	6.50	C. Hoare & Co	6.50	Yorkshire Bank	6.50
Barclays Bank	6.50	Hongkong & Shanghai	6.50		
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.50	• Members of London Investment Banking Association	
•Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50	* In administration	
Citibank NA	6.50	•Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Midland Bank	6.50		
Coutts & Co	6.50	NatWestminster	6.50		
Cyprus Popular Bank	6.50	•Rea Brothers	6.50		
		Royal Bk of Scotland	6.50		

COMMODITIES AND AGRICULTURE

Brussels to call for cuts in farm support prices

By Neil Buckley in Brussels

The European Commission is set to call for cuts of up to 30 per cent in farm support prices and for limits on the total aid that individual farmers can receive, as part of reforms designed to prepare the European Union for expansion.

Brussels says the cuts are vital to bring EU agricultural prices towards world levels, and prevent the creation of new grain and beef mountains by allowing more food to be exported. But they could be fiercely opposed by some member states and farmers.

The farm proposals will be a central part of the so-called Agenda 2000 package to be unveiled by Mr Jacques Santer, Commission president, to the European Parliament on July 16.

At the beart of the proposals are cuts in intervention prices, or the price at whicb Brussels steps in to buy surplus stocks on the market – in effect guaranteeing a minimum price for farmers. Surpluses are stored until they can be sold or disposed of.

High support prices have helped to keep EU market prices above world levels, and create the food mountains of the 1980s.

Mr Franz Fischler, agriculture commissioner, wants snpport prices for grain cut by 20 per cent from 2000 onwards, from Ecu119 to Ecu95 a tonna.

Beef support prices would be cut by almost one-third between 2000 and 2005, from Ecu2,780 to Ecu1,950 a tonne. Dairy prices would be cut 10 per cent by 2005, although there would be no change in production quotas.

Farmers wonld be partially compensated for loss of incoma through direct aid - extending the system established when EU agricultural policy was last reformed in 1992. Payments for beef cattle would be increased substantially, with new payments for dairy cowa.

But compensation for grain farmers would be increased by only half the fall in support prices, with aid payments increasing only Ecu12 a tonne from Ecu54 to Ecu66.

That proposal reflects the fact that grain farmers bave heen over-compensated hy Ecu8hn since support prices were last cut in 1992, according to Commission figures, as market prices did not fall as much as expected.

One of Mr Fischler's most controversial proposals will be tha setting of a ceiling for direct aid payments for individual farmers, to avoid large farmers scooping up millions of dollars in subsidies.

He also wants EU states to be given more powers to decide how aid should be paid, and to whom, within their own countries.

The package will also include recommendations on which countries should be allowed to start talks on joining the EU, and reforms of aid for poorer regions. EU ministers will begin talks on the proposals in the autumn.

A shake-up of the Ecu40bn common agricultural policy is vital if the EU is to absorb poorer, agriculturally-dependent countries such as Poland and Hungary. It is also likely to be demanded by the World Trade Organisation in the next round of world farm talks at the turn of the century.

Gold at new 12-year low

MARKETS REPORT

By Michael Peel

Gold once again touched 12-year lows amid continuing market reaction to the gold reserve sell-off revealed last week by the Australian central bank.

The metal's afternoon fix of $324.45 a troy ounce was five cents lower than its final fix on Friday.

The Australian Reserve bank disclosed last Thursday that it bad sold 167 tonnes of its 247 tonnes of gold over the past six months.

"It's very difficult to see any immediate positive points for gold," said Mr Roger Chaplin, a mining analyst for T. Hoare & Co.

"You can't see it staying at $300 to $320 in the longer term because too much of the industry would go out of business. We will see what everybody makes of it in the next week or so, hut it's not pretty."

However, Mr Andy Smith, precious metals analyst for UBS, thought that the price could go lower, witb tbe market concerned that other non-European Union central banks would sell their gold.

"Everything that could go wrong has gone wrong," Mr Smith said. "The new equilibrium in gold is $320 minus some very large number."

The continued depression of the gold price hit other precious metals.

Platinum fixed in the afternoon at $409 a troy ounce, down $14, while palladinm fixed $11 lower at $180 a troy ounce.

"Tbe market is beIng really sucked down by gold, which is a pretty deplorable performance," said Mr Keith Green, director of platinum operations for Johnson Matthey.

He said that palladium prices had also been affected by speculation that Russia, the world's largest producer, was about to resume shipments of the metal. "The belief is that the Russians are back in the marketplace," he said. "But the indications are that they are only supplying on a pro rats basis."

Coffee prices on the CSCE in New York fell on figures from tbe International Coffee Organisation, which showed coffee exports of 81.75m 60kg bags for the 12 months to May 1997, a rise of 12 per cent on last year.

The most active September contract was down 3.60 cents a pound et midday, at 164.75 cents a pound.

Gold to shine again in Venezuela

For decades the shining gold of Venezuela's once brilliant mining sector has been overshadowed by the black gold of its oil industry, leaving eager multinational mining companies before cloaed doors. Yet following the successful opening of its oil industry in recent years, the country is now stepping up its efforts to attract foreign capital and technology to davelop its vast mining potential.

Oil minister Erwin Arrieta blames many of the sector's problems on 'decades of neglect'

The Corporación Venezolana de Guayana (CVG), the state industrial and mining company, has announced an aggressive programme to explore hundreds of thousands of hectares of properties in south-eastern Bolivar and Delta Amacuro states for gold and diamond deposits.

"By 2005 Venezuela could be among the top two gold producers in Latin America, along with Peru, and one of the top 10 in the world," says Mr Nadim Ynaty, president of CVG, wbose goal it is to increase gold production from its current 10 tonnes per year to 25 tonnes within five years and 50 tonnes within 15 years. During that time Mr Nadim expects some $2.5bn to $3bn in investment.

Preliminary geological studies suggest that Venezuela's Precambrian Guyana Shield has considerable gold resources. Just over a century ago Venezuela was the world's leading gold producer and Mr Pedro Tinoco, head of the Venezuelan mining chamber, says it could once again become a world class gold producer.

The first two bidding rounds for some 40 concessions of 5,000 bectares each are scheduled for later this year. The winning bidders would put up risk capital during the exploration phase and form a joint venture with CVG upon making a commercially viable discovery.

Yet compared with the oil industry, investments in Venezuela's mining industry are higher risk. Unlike the 20 oil fields that were up for tender earlier in June, the mining propertles have no proven reserves or comprehensive geological studies. "There may be large potential hut until you enter into an area, you really don't know," says Mr Christopber van Tienhoven with mining company Minorco in Venezuela.

Earlier attempts hy CVG in the late 1980s and early 1990s to develop the mining aector with foreign help have led to a twenty-fold increase in proven gold reserves to just over 600 tonnes hut not to a significant increase in production. The development of Las Cristinas gold deposit, potentially Latin America's largest with an estimated 8m ounces of recoverable gold, is currently held np in a legal dispute hetween the two Canadian companies Placer Dome and Crystallex.

Legal insecurity and a maze of insurmountabla hureaucracy bave put numerous mining projects on bold and scared away others. According to Mr Fred Drew, president of BHP in Venezuela, mining companies have projects worth $6.8bn on hold, awaiting reassurances from the government. Another $2bn has gone to mining projects in Argentina, Chile, and Peru.

Some industry analysts say that delays in obtaining permits are also dne to resentment within the ministries of environment and mining that CVG should side-step them and take the lead in the country's mining development.

However, stagnant production figures are not entirely the state's fault. Several junior mining companies, says Mr Drew, have claimed stakes in Venezuela without investing a penny, speculating instead on world stock exchanges with periodic claims of discoveries.

Many of the sector's problems are due to dacades of neglact, says Mr Erwin Arrieta, minister of energy and mines. "We have neglected the mining sector for decades and that brought many problems with it."

This is now to change. A new law currently before congress would not only introdnce clearer rules but also create a mining superintendency and a state holding company charged with joint ventures – similar to the one under the state oil company PDVSA.

The mining sector, which currently accounts for less than 1 per cent of GDP, will never reach the importance of the oil industry in Venezuela. Nevertheless, with the opening to private capital, of which the CVG bidding round is the first important step, it could reach 4 to 5 per cent of GDP. Despite all the drawbacks, says Mr Tinoco, "the CVG tender is likely to be a success because there are always mining companies willing to take a risk".

Raymond Colitt

Study sees recovery in UK paper prices

By Alison Maitland

Low paper prices are stimulating unexpectedly high growth in demand for paper in the UK and prices will start to rebound strongly over the next year, according to Paper Publications, independent researchers into the UK market.

The bullish forecast contrasts with other industry predictions that overcapacity will keep prices depressed for the next three to four years and comes after several failed attempts to raise prices.

Mr Peter Ingram, managing director of Paper Publications, said the forecast waa based on detailed research into actual paper consumption. "The end-use market is far more dynamic in its response to prices and new opportunities than expected," ha said. "Current price levels are stimulating exceptional growth but also switching between grades."

After the price boom and bust of 1995 and 1996, the ingredients are now in place for a re-run of the recovery in paper demand of 1993 and 1994, be said. He predicted a 12 per cent rise in demand for all graphic papers this year after no increase last year, and a 31 per cent leap for coated mechanical paper, which is used for catalogues and magazines.

"Price is a bigger influence on demand than most other analysts assume," be said. "People are surprised by the speed with which huyers are switcbing to higher grades, for example from uncoated to coated."

Bnt his report warned recent action by the paper industry to prevent another boom-bust is too little and happening too slowly.

UK Preview 97/98, price £495, available from PPL Research, (0)1923 261555 or fax (0)1923 261118. E-mail: pplresearch@paper-pub.co.uk

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1565.5-6.5	1593-4
Previous	1583.5-84.5	1606-07
High/low		1608/1583
AM Official	1567.5-68.0	1593.0-94.0
Kerb close		1587-8
Open int.	262,531	
Total daily turnover	78,807	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1400-10	1430-35
Previous	1415-25	1445-55
High/low		1450/1435
AM Official	1415-25	1440-50
Kerb close		1430-35
Open int.	5,453	
Total daily turnover	1,983	

■ LEAD ($ per tonne)

Close	645.5-6.5	656-7
Previous	648-49	657-58
High/low		666/653
AM Official	645-47	657-58
Kerb close		653.5-4.0
Open int.	36,057	
Total daily turnover	11,939	

■ NICKEL ($ per tonne)

Close	6760-65	6875-80
Previous	6835-45	6945-55
High/low	6815/6805	6980/6850
AM Official	6804-06	6920-25
Kerb close		6855-60
Open int.	52,300	
Total daily turnover	12,509	

■ TIN ($ per tonne)

Close	5510-20	5560-70
Previous	5480-90	5530-35
High/low		5600/5550
AM Official	5540-50	5590-91
Kerb close		5570-80
Open int.	13,778	
Total daily turnover	3,434	

■ ZINC, special high grade ($ per tonne)

Close	1450-51	1463-4
Previous	1457.5-58.5	1469-69.5
High/low		1473/1457
AM Official	1448-49	1465-66
Kerb close		1456-7
Open int.	100,676	
Total daily turnover	31,484	

■ COPPER, grade A ($ per tonne)

Close	2540-43	2401-2
Previous	2558-61	2406-07
High/low	2542/2545	2412/2395
AM Official	2545-46	2405-06
Kerb close		2398-99
Open int.	153,752	
Total daily turnover	42,180	

■ LME AM Official £/$ rate: 1.6803

LME Closing £/$ rate: 1.6845

Spot: 1.6877 3 mths: 1.6827 6 mths: 1.6784 9 mths: 1.6712

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	111.55	-1.90	113.70	111.20	512	6,530
Aug	110.00	-1.85	111.70	109.50	81	3,683
Sep	109.55	-1.70	111.00	109.30	1,813	23,873
Oct	107.85	-1.00	108.70	108.20	56	1,279
Nov	107.55	-1.40	108.20	107.50	13	1,210
Dec	106.70	-1.65	108.70	106.50	308	8,192
Total					2,909	49,311

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	318.70-319.20		
Opening	318.00-318.50		
Morning fix	318.75	189.281	464.10
Afternoon fix	318.00	189.004	462.69
Day's High	319.50-320.00		
Day's Low	314.00-314.50		
Previous close	324.25-324.75		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.81	6 months	3.83
2 months	3.60	12 months	3.88
3 months	3.81		

Silver Fix	p/troy oz.	US cts equiv.
Spot	265.90	447.35
3 months	269.75	452.50
6 months	273.85	458.00
1 year	282.15	468.90

Gold Coins	$ price	£ equiv.
Krugerrand	316-320	188-190
Maple Leaf	-	-
New Sovereign	74-77	44-46

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	318.1	-6.1	331.8	331.8	7	-
Aug	319.0	-6.2	325.8	314.6	4,208	114.4k
Oct	321.1	-6.4	326.0	316.8	349	9,153
Dec	323.2	-6.5	330.0	318.5	3,119	32,419
Feb	325.4	-6.6	325.8	322.5	543	9,264
Apr	327.5	-6.7	328.5	325.0	12	4,840
Total					46,214	210,913

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	406.7	-10.0	415.0	406.5	55	1,103
Oct	392.7	-12.0	398.0	390.1	751	11,402
Jan	387.7	-9.0	394.0	387.0	11	1,856
Apr	387.7	-9.0	392.0	392.0	2	134
Total					821	14,495

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	169.75	-3.25	172.50	167.00	166	5,428
Dec	163.75	-0.25	167.00	158.00	24	747
Jun	164.25	-0.25	-	-	-	105
Total					188	6,280

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	424.9	-27.9	448.0	420.0	96	426
Sep	428.5	-28.5	457.5	425.0	15,368	60,201
Dec	435.0	-28.7	460.0	431.0	1,049	14,130
Jan	436.8	-28.7	-	-	-	18
Mar	441.2	-29.1	460.0	439.0	160	9,114
May	445.1	-29.3	469.0	441.0	18	2,856
Total					16,687	93,303

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	19.32	-0.24	20.40	19.28	46,727	90,955
Sep	19.44	-0.16	20.45	19.38	17,129	48,243
Oct	19.52	-0.13	19.72	19.48	7,041	33,251
Nov	19.56	-0.14	19.75	18.56	2,796	19,364
Dec	19.63	-0.09	19.78	19.63	4,246	42,146
Jan	19.71	-0.02	19.78	19.71	856	20,191
Total					82,304	396,488

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	17.97	-0.09	18.28	17.97	12,446	60,657
Sep	10.10	-0.11	18.39	18.10	7,530	55,283
Oct	18.27	-0.13	18.50	18.27	1,931	15,920
Nov	18.41	-0.12	10.56	10.41	660	10,566
Dec	18.50	-0.08	18.63	18.50	54	16,123
Jan	18.56	-0.03	18.64	18.58	25	10,549
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	52.55	-0.21	53.00	52.40	14,641	42,514
Sep	53.10	-0.21	53.60	53.00	3,415	21,892
Oct	54.05	-0.06	54.45	54.00	3,330	17,632
Nov	55.05	+0.09	55.40	54.90	1,433	13,905
Dec	55.80	+0.04	56.20	55.80	619	14,757
Jan	56.30	+0.09	56.70	56.30	531	12,954
Total					24,450	147,441

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	101.25	-0.75	163.25	161.00	12,230	15,862
Aug	162.25	-1.25	164.50	162.25	7,521	19,158
Sep	164.50	-1.00	166.50	164.25	1,538	6,864
Oct	167.25	-1.00	168.56	167.25	1,199	7,740
Nov	169.25	-1.00	170.25	169.25	375	4,742
Dec	170.75	-0.75	171.75	171.00	626	9,718
Total					23,550	76,875

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.075	-0.028	2.090	2.060	11,519	41,984
Sep	2.083	-0.025	2.100	2.072	3,052	21,095
Oct	2.100	-0.023	2.110	2.090	2,326	23,593
Nov	2.230	-0.023	2.245	2.225	802	11,234
Dec	2.375	-0.018	2.390	2.370	632	14,588
Jan	2.415	-0.018	2.420	2.408	643	14,524
Total					20,421	190,584

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	57.50	-0.42	58.20	57.05	13,583	37,909
Sep	56.80	-0.22	57.40	56.70	3,354	11,791
Oct	55.65	-0.07	56.05	55.65	1,075	7,459
Nov	55.10	-	55.40	55.10	206	2,644
Dec	54.75	+0.08	54.90	54.75	203	5,706
Jan	55.05	+0.23	55.10	55.00	41	3,718
Total					18,746	72,823

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	80.40	+0.15	-	-	-	207
Sep	82.15	+0.65	82.15	82.00	60	162
Nov	84.15	+0.65	84.25	83.95	206	3,731
Jan	86.15	+0.65	86.15	86.00	83	1,914
Mar	88.15	+0.65	-	-	-	974
May	90.15	-0.35	-	-	-	578
Total					349	7,597

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	313.50	-6.75	318.00	313.00	2,772	3,976
Sep	321.75	-5.75	327.00	321.50	13,518	41,525
Dec	335.25	-5.00	339.75	335.00	5,053	31,986
Mar	344.25	-3.75	347.00	343.75	891	5,048
May	345.50	-4.50	350.00	345.50	53	493
Jul	345.00	-4.00	349.00	345.00	135	2,822
Total					22,423	85,849

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	240.50	-4.25	243.50	240.00	6,170	23,134
Sep	229.25	-4	233.00	227.50	10,844	60,483
Dec	229.25	-4	232.50	227.50	18,783	143,982
Mar	237.50	-3.25	240.00	236.00	1,463	24,335
May	243.50	-3	245.25	241.75	986	3,401
Jul	247.00	-2.5	248.00	245.00	817	7,411
Total					39,074	267,313

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	77.75	-0.25	-	-	-	32
Nov	80.25	-0.25	81.00	80.75	20	1,116
Jan	82.25	-0.25	82.75	82.75	15	178
Mar	84.25	-0.25	-	-	-	10
May	85.60	-0.25	-	-	-	9
Total					35	1,353

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	732.75	+10.75	733.00	712.00	3,566	0,144
Aug	697.00	+9.50	699.00	677.00	13,011	33,569
Sep	614.50	-4.00	616.00	606.00	3,285	12,701
Nov	584.25	-7.75	590.00	577.00	21,209	66,941
Jan	588.50	-8.00	592.00	583.00	1,995	12,403
Mar	597.50	-6.75	598.00	593.00	703	2,935
Total					44,894	141,319

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	21.84	-0.22	21.99	21.72	2,667	3,729
Aug	21.96	-0.20	22.09	21.60	7,728	26,936
Sep	22.10	-0.25	22.45	21.95	2,041	14,124
Oct	22.10	-0.35	22.30	22.00	848	15,663
Dec	22.15	-0.38	22.55	22.09	4,288	42,102
Jan	22.20	-0.45	22.40	22.25	585	4,758
Total					18,6821	13,220

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	242.5	+2.9	242.7	237.6	3,425	9,190
Aug	226.4	+3.8	226.5	220.4	7,910	25,057
Sep	208.7	+1.0	209.0	205.5	2,013	17,025
Oct	196.7	-0.3	196.5	194.0	652	14,569
Dec	188.9	-0.6	189.0	186.0	6,111	36,463
Jan	188.5	-0.2	188.0	185.5	679	4,142
Total					22,307	116,458

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	53.0	-6.0	-	-	-	-
Apr	63.0	-6.0	65.0	60.5	225	823
May	73.0	-6.0	-	-	-	2
Jun	83.0	-6.0	-	-	-	-
Total					225	834

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1310	+10	1320	1302	106	1,272
Aug	1250	+10	1250	1245	53	010
Oct	1415	+10	1425	1415	18	953
Jan	1425	+5	1425	1425	-	132
Total					181	3,092

	Close	Prev
BFI	1349	1348

FUTURES DATA

All futures data supplied by CMS.

Tea

There was good demand for tea, The Tea Brokers' Association reports. In landed teas, the limited quantity of Kenya teas on offer were firm to dearer, but other east Africans declined 2p to 4p. Coloury central Africans often advanced. Offshore there was strong competition at dearer rates. Quotations for this sale. Landed: best available 138p; good N/A; good medium 128p; medium 123p; low medium 95p. The highest price realised this week was 139p for a Makawi PF.1.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1021	-1	1035	1021	118	1,357
Sep	1038	-1	1052	1036	2,937	33,026
Dec	1060	+4	1072	1056	2,023	35,548
Mar	1077	+4	1091	1075	1,154	44,330
May	1089	+2	1100	1089	293	19,238
Jul	1102	+2	-	-	-	5,804
Total					6,673	184,874

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1536	-4	1585	1515	57	67
Sep	1558	-4	1590	1554	14,127	34,302
Dec	1610	-1	1640	1605	3,928	22,911
Mar	1638	-4	1668	1638	1,368	21,833
May	1658	-4	1680	1655	414	10,036
Jul	1676	-4	-	1655	175	1,148
Total					20,622	183,803

■ COCOA (ICCO) (SDR's/tonne)

Jul 4	Price	Prev. day
Daily	-	1203.24

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1760	-18	1788	1740	140	1,799
Sep	1777	-21	1805	1755	1,786	24,634
Nov	1760	-20	1790	1742	859	12,347
Jan	1725	-10	1752	1719	217	4,039
Mar	1700	-15	-	-	-	670
May	1685	-15	-	-	-	45
Total					3,002	43,534

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	185.25	-2.25	186.00	184.50	119	611
Sep	165.70	-2.65	166.50	162.10	3,257	10,894
Dec	151.85	+0.35	152.00	149.00	828	4,946
Mar	143.75	+1.25	143.00	142.00	221	2,408
May	140.50	+1.80	139.00	138.00	20	919
Jul	138.25	+1.75	136.50	136.50	20	261
Total					4,473	20,271

■ COFFEE (ICO) (US cents/pound)

Jul 4		Prev. day
Comp. daily	-	137.94
15 day average	-	144.21

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	319.1	-0.1	320.8	318.7	2,717	9,130
Oct	315.5	-0.3	316.9	315.0	1,404	8,184
Dec	314.4	-0.5	315.5	314.5	118	4,255
Mar	315.6	-0.4	317.1	316.0	249	4,170
May	315.5	-0.3	-	-	-	856
Aug	313.1	-1.5	315.0	314.5	10	838
Total					4,510	28,339

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.06	-0.12	11.20	11.08	18,224	04,278
Mar	11.21	-0.09	11.31	11.20	8,177	42,029
May	11.10	-0.10	11.20	11.10	674	9,401
Jul	11.02	-0.05	11.08	11.06	282	4,266
Oct	10.93	-0.06	10.92	10.92	33	1,245
Mar	10.90	-0.02	10.89	10.89	32	683
Total					23,380	151,962

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	71.00	-1.80	73.30	70.35	57	158
Oct	73.24	-1.86	75.40	73.10	1,807	11,498
Dec	73.75	-2.05	76.05	73.70	11,748	41,340
Mar	75.00	-2.03	77.15	74.90	853	7,223
May	75.75	-1.83	77.70	75.80	17	1,479
Jul	76.30	-1.53	77.25	76.20	25	897
Total					14,974	66,588

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	75.05	-0.20	76.50	75.00	252	724
Sep	76.35	-1.10	78.25	76.00	918	19,610
Nov	79.15	-1.15	81.20	78.90	345	8,415
Jan	82.05	-1.30	84.25	82.00	43	2,547
Mar	85.00	-1.00	87.00	85.00	8	1,635
May	87.85	-1.00	88.00	89.00	1	328
Total					1,566	31,304

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 7	Jul 4	month ago	year ago
1906.S	1928.8	2006.4	1998.3

■ CRB Futures (Base: 1967 = 100)

Jul 3	Jul 2	month ago	year ago
235.57	237.42		

■ GSCI Spot (Base: 1970 = 100)

Jul 3	Jul 2	month ago	year ago
185.32	185.32	185.51	204.27

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,725	to	662,725
Aluminium alloy	-460	to	58,380
Copper	+1,260	to	131,100
Lead		to	117,200
Nickel	+96	to	53,340
Zinc	-1,425	to	420,125
Tin	-40	to	12,015

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	63.525	-0.400	64.450	63.500	2,760	42,175
Oct	67.125	-0.225	67.700	67.050	2,241	25,283
Dec	70.060	-0.150	70.500	69.900	876	14,879
Feb	71.750	+0.125	71.900	71.550	454	6,801
Apr	73.750	+0.175	73.900	73.525	137	3,246
Jun	70.025	+0.125	70.300	69.900	65	2,118
Total					6,553	94,555

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	83.200	-0.800	84.250	82.750	1,266	5,619
Aug	80.100	-1.525	81.900	79.825	3,359	13,217
Oct	73.100	-0.750	74.150	72.800	1,594	8,715
Dec	70.250	-0.450	70.700	70.000	744	4,517
Feb	68.775	-0.175	68.900	68.850	129	1,799
Apr	64.525	+0.125	64.500	64.300	92	1,110
Total					7,251	36,209

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	79.175	-3.000	81.850	79.175	1,122	1,514
Aug	78.425	-3.000	81.100	78.425	1,486	4,071
Feb	69.775	-1.975	72.750	69.700	144	672
Mar	68.000	-1.725	71.000	69.000	8	16
Jul	73.500	-	-	-	3	5
Total					2,754	6,286

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME

	Aug	Nov	Aug	Nov
1500	81	117	7	34
1600	20	59	46	64
1700	2	25	128	102

■ COPPER (Grade A) LME

	Aug	Nov	Aug	Nov
2300	138	130	10	60
2400	70	83	48	131
2500	29	50	106	107

■ COFFEE LIFFE

	Jul	Sep	Jul	Sep
1750	135	167	108	1557
1800	114	148	137	166
1850	96	132	169	222

■ COCOA LIFFE

	Jul	Sep	Jul	Sep
1075	30	68	67	83
1100	23	60	85	100
1125	18	54	105	119

■ BRENT CRUDE IPE

	Aug	Sep	Aug	Sep
1750	-	-	10	41
1800	42	-	19	-
1850	8	61	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.79-6.88	-0.145
Brent Blend (dated)	$18.05-8.07	+0.015
Brent Blend (Aug)	$17.97-7.99	-0.115
W.T.I.	$18.30-9.34w	-0.21

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$191-193	-1
Gas Oil	$182-183	-2.5
Heavy Fuel Oil	$79-81	
Naphtha	$172-174	
Jet fuel	$177-178	-1
Diesel	$184-185	-2.5

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	8.25-8.40	-0.10
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Aug)	9.450	+0.035

■ OTHER

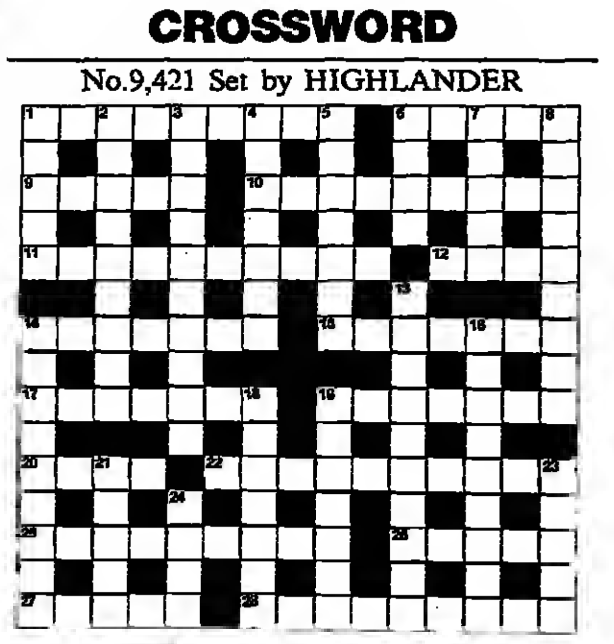
Gold (per troy oz)‡	$318.95	-5.55
Silver (per troy oz)‡	448.00c	-7.00
Platinum (per troy oz.)	$409.00	-14.00
Palladium (per troy oz.)	$180.00	-11.00
Copper	118.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.75r	+0.06
Tin (New York)	280.5	+1.0
Cattle (live weight)	100.49p	+5.79*
Sheep (live weight)	117.57p	+2.13*
Pigs (live weight)†	99.48p	-2.92*
Lon. day sugar (raw)	$269.10	+0.50
Lon. day sugar (wte)	$325.60	+0.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	65.75p	
Rubber (Sep)♥	65.75p	
Rubber (KL RSS No1)	242.0x	-5.0
Coconut Oil (Phil)§	620.0y	-15.0
Palm Oil (Malay.)§	500.0w	-17.5
Copra (Phil)§	$415.0y	
Soyabeans (US)	185.0	
Cotton Outlook'A' index	80.80c	
Wooltops (64s Super)	421p	-3.0

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Aug. w Jul. ♥London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 486 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,421 Set by HIGHLANDER



ACROSS

1 Arrive without English soldier and the German officer (9)
6 Like the investigator said, an old Mexican (5)
9 Good place for tea: a great deal turned over (5)
10 Not broadcasting the tune when cricket side is leading (3,3,3)
11 One's country pounded to bits – a familiar topic (4,6)
12 A thousand born in this joint! (4)
14 Peer's wife before time on March 25 (4,3)
15 Start to do better version for aristocratic publisher (7)
17 We put on protective garments with no right arms (7)
19 Son is in correct environment to do well (7)
20 Hard stuff sold at seaside dance (4)
22 Means virginal perhaps? (10)
25 Listen in for sound made by First Lady'a fall (9)
26 They say I spill the beans decorating the cake (5)
27 King annoys churches in the north (5)
28 Engage drive mechanism and insert youngster's clothes (3,2,4)

DOWN

1 Big noise in accident (5)
2 Television and press service aimed to be different (4,5)
3 Odd manager to be involved in catastrophic conflict (10)
4 Due mostly to old college business being controlled by two groups (7)
5 Cultivated like sugar (7)
6 Timber used in bachelor flat includes pine (4)
7 One American writer in two (5)
8 Woodworker takes fish record (9)
13 Release from guilt: a bishop has the answer (10)
14 Inferior pack of cards for ship's crew, not senior officers (5,4)
16 Bad language in telex I've translated quietly inside (9)
18 Separate union for students gives rise to a heated situation (7)
19 Mine gets answer exactly right with quick taps (7)
21 Fielder caught cricket balls in cap (5)
23 Regiment takes it up with a dynamic person (5)
24 In its present state, when is later? (2,2)

Solution to Saturday's prize puzzle on Saturday July 19.
Solution to yesterday's prize puzzle on Monday July 21.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

GT Global

Proton Asset Management S.A.

HSBC Investment Funds Luxembourg SA (u)

Rothschild Asset Management

S-E-Banken Luxembourg SA

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

Fleming Group

OFFSHORE INSURANCES

TCW Luxembourg Funds

هكذا من الاصل

صكتا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

صحكنا من الاجل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Toronto-Dom C$		[illegible]	[illegible]	[illegible]	[illegible]	5,480	2.7	
Trans Can Pipe C$	♥	[illegible]	[illegible]	[illegible]	[illegible]	2,648	4.1	
Western Star Trucks C$		[illegible]	[illegible]	[illegible]	[illegible]	183.1	-	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£28¼	+1¼	*£28¼	£20¼	2,011	2.7	ф
Barlow	♣†	[illegible]	[illegible]	[illegible]	[illegible]	1,339	2.2	14.0
Gold Flds Prop R	†	172¾	-	188½	120	17.7	4.9	13.5
SA Brews		[illegible]	[illegible]	[illegible]	£13¾	5,341	2.1	ф
Standard Bank		[illegible]	[illegible]	£30	£21	3,409	1.9	ф
Tiger Oats	†	[illegible]	-47½	1100	770	1,034	1.8	19.9
Tongaat-Hulett		731xd	+1½	813	676¼	799.6	2.5	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend [illegible] i Indicated dividend yield, p/e ratio based on latest annual earnings. s Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or [illegible] L Estimated annualised yield, p/e based on latest annual earnings. W Yield based on prospectus or other official estimates for 1997-98. [illegible] Dividend is paid in whole or part as a [illegible] FID (Foreign Income Dividend) R Forecast annualised yield, p/e based on prospectus or other official estimates. [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT4894. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request.
Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Share prices rally after early sharp sell-off

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK shares fought back strongly to close with minor losses after coming under some hefty downward pressure for much of a difficult, tense trading session.

A strong opening performance by Wall Street galvanised an otherwise unhappy London market, which had been roughly handled earlier in the day amid widespread predictions of a rise in UK interest rates later this week.

The Dow Jones Industrial Average staged another powerful performance early in the US trading session, climbing over 50 points to hit another all-time record. There were suggestions that the Dow might have sufficient firepower to drive through the 8,000 mark.

But later, the Dow fell back equally rapidly to show just a 20-point gain 45 minutes after the London close.

The FTSE 100 index finished 2.1 lower at 4,810.7 after clawing its way back from an early 36.4 fall, which drove the index back below the 4,800 level.

But there was no such late relief for the market's second-liners and the smaller stocks which remained thoroughly depressed. The FTSE 250 index, although well off its lowest level for the session – 4,423.0 – was 26.1 down at 4,426.9 by the close, while the FTSE SmallCap ended the day 2.2 off at 2,224.4.

Earlier the bad news overshadowed the sparkling debut of the Woolwich, which yesterday adopted banking status.

Woolwich shares, like their previous demutualisation counterparts – Alliance & Leicester, the Halifax and Norwich Union – kicked off their stock market career well above the most optimistic forecasts, before succumbing to flurries of selling pressure.

There was only limited support for equities from gilts, which managed to close unchanged to a shade lower, after a poor start.

The day's economic data – industrial production and manufacturing output – were much weaker than consensus forecasts. The former fell 0.9 per cent during May against expectations of a small rise, while the latter dropped 1.1 per cent.

There were conflicting views among traders about the market's short-term outlook. Some felt there were compelling arguments for a sell-off in UK stocks because of the impact on profitability of a rising pound.

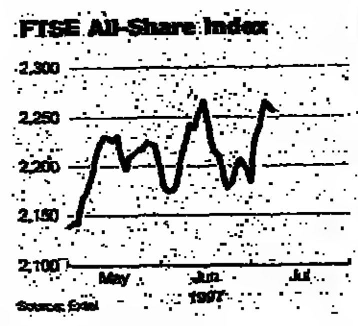
If the Monetary Policy Committee meeting on Thursday sanctions a rise in UK rates, then the upward pressure on sterling would increase, it was said.

Others pointed out that the chancellor's Budget proposals, specifically affecting trading in derivatives, had continued to cause substantial increases in market volatility.

On the other hand, a senior trader at one powerful independent broking house said there was a marked reluctance among the big marketmaking firms to run short positions in UK stocks because of the likelihood of a sudden burst of corporate activity. "There is some massive merger/bid business bubbling under the surface," he said.

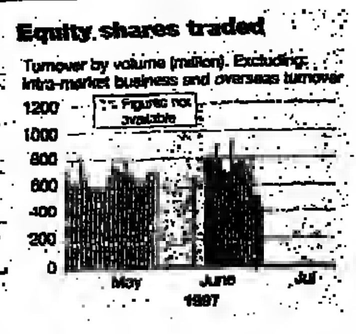
Turnover at 6pm was 765m shares.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4810.7	-2.1	FT 30	3051.7	+1.2
FTSE 250	4426.9	-26.1	FTSE Non-Fins p/e	19.00	19.03
FTSE 350	2308.0	-3.3	FTSE100 Fut Sep	4834.0	+11.0
FTSE All-Share	2257.42	-3.19	10 yr Gilt yield	7.06	7.08
FTSE All-Share yield	3.44	3.43	Long gilt/equity yld ratio	2.05	2.06

Best performing sectors

1. Engineering: Vehicles ......+1.1
2. Oil: Integrated ......+1.1
3. Retailers: Food ......+1.0
4. Food Producers ......+0.8
5. Mineral Extraction ......+0.6

Worst performing sectors

1. Paper: Pckg & Printing ......-2.0
2. Telecommunications ......-1.9
3. Extractive Industries ......-1.8
4. Building & Construction ......-1.4
5. Electronic & Elec Equip ......-0.9

Woolwich rating concern

By Peter John and Martin Brice

"This is now the most expensive bank in Europe," said one analyst when Woolwich shares ended their first day of trading at 334p.

While he added the necessary note of caution, in case some small Alpine counting house piped up with a higher rating, the point was germane and readily agreed by rivals.

By the close of trading, Woolwich stood at between 18 and 21 times prospective earnings. That compares with 16 times for Lloyds TSB and is considered unsustainable by many brokers unless a bid or merger offer appears.

There were suggestions that yesterday evening's auction of 92.5m shares, the first of four by BZW to institutions, could attract a mixed response.

But other brokers pointed out that similar doubts surrounded the flotation of Alliance & Leicester which, nevertheless, forged ahead after the dust of the first few days settled.

Yesterday Woolwich opened at 370p and ticked back slowly throughout the day as 24m shares went through trading desks to reflect pure retail business.

Vickers gave up 10½ to close at 182p as investors focused on worries over Rolls-Royce car sales.

The company said yesterday that worldwide sales of Rolls-Royce cars were up 13 per cent at 1,029, while UK sales were ahead 36 per cent in the first six months of the year.

However traders suggested that sales of the current model were being boosted by heavy discounting, by up to £30,000 a car. There have been concerns that sales of the current models of Rolls-Royce cars would fall in the run-up to the introduction of the first new model for 17 years, due next March.

Exporters suffer

Exporters continued to suffer as investors pondered the effect of the rising pound. Among them, Halma was off 3 at 152p, IMI down 6½ at 302½p, and McKechnie gave up 11 to close at 379½p. Molins was also down, by 16 to 499p. However, Siebe, said to be preparing a presentation for analysts, bounced up 15½ to £10.02½ after its big fall last Thursday.

Another engineer that rose yesterday was Carclo Engineering, which advanced 4 to 189p after it said it would maintain its dividend despite a profit fall. It also said the impact of strong sterling had been "modest" but could become "substantial". In October the shares were trading at 276½p.

ICI rebounded from early weakness prompted by a NatWest downgrade.

The broker cut its current year profit forecast to £430m from £490m – compared with an analysts' consensus of £505m – to reflect the continued strength of sterling, and reiterated its "bold" stance.

But the shares, having retreated almost 10 per cent since the middle of June, bounced back as Wall Street opened strongly and ended the day 20 higher at 823½p.

NatWest also cut its 1997 earnings estimates for BOC to £440m from £445m and for Courtaulds to £148m from £152m. BOC dipped 9½ to £10.53½ and Courtaulds 8½ to 311½p.

Low & Bonar was off 19 to 262½p after its results highlighted the effect of strong sterling and competitive pressures in its core packaging business. It unveiled interim profits down from £26.2m to £21.3m, prompting a set of downgrades, and analysts were said to be adjusting full-year forecasts from about £55m-£58m to £45m-£47m.

Tomkins was Footsie's biggest riser, up 14½ to 278½p, after it announced a £100m share buy-back. The move was seen as a change in strategy, and analysts said there had been some concern at the company's plans to make a large acquisition. The company also yesterday unveiled results that showed stronger profits and a dividend increase.

Delta gave up 6½ to 265p during the course of a visit by analysts to South Africa that the company is hosting.

BBA fell 1½ to close at 332½p after a weekend press report that it is planning to put its specialist electrical division up for sale in a move to expand its warchest.

The bid by FKI for Bridon raised some eyebrows, with some traders suggesting a price of 140p a share had been expected, rather than the 175p that FKI is paying. Bridon was up 34 to 171½p in heavy volume of 22m shares traded, almost a third of the issued share capital, while FKI was off 3 at 157½p.

WEW Group gave up 2½ to close at 7p after the company issued another profits warning and said it would incur a £4m trading loss in the year to July. It also said a provision of £2.8m would be needed for store closures.

The company has called in Coopers & Lybrand to "advise on options" facing the group, one of which is "the seeking of offers for the entire issued share capital"; however, no offer had been received.

The oil majors, BP and Shell Transport, traded higher with some support from underlying oil prices. BP gained 9 to 787½p and Shell 4 to 443½p.

BSkyB fell 4½ to 439½p after one Sunday newspaper quoted Mr Rupert Murdoch, whose NewsCorp owns 40 per cent of BSkyB, as saying the stock was overpriced.

Premier Farnell, the electronic components group, fell 6½ to 455p as Dresdner Kleinwort Benson reduced profit estimates.

Kleinwort cut its forecast for 1997 to £161m from £168m on the basis of currency translation. For 1998, the brokerage lowered its estimate to £183m from £190.5m.

Abbey National fell sharply in early trading as HSBC James Capel cut the stock to a "hold" but rallied later to end 11½ off at 876½p.

The broker downgraded the stock ahead of the bank's interim results on expected poor net lending, pressure on spreads and poor liquid savings. Dealers said that while Abbey looked cheap relative to Alliance & Leicester and Woolwich, it had already risen 9 per cent this quarter. Alliance & Leicester shed 5½ to 613p.

In the last quarter, the banking sector has risen nearly 30 per cent and outperformed the FTSE All-Share index by 15 per cent.

Dixons was the FTSE 100's second largest riser as it rose 20 to close at 495½p, ahead of results tomorrow.

Traders suggested investors were buying the stock on hopes of a positive trading statement that would point to consumers spending windfalls from their building societies.

However, NatWest Securities has told its clients that the same period last time was exceptional, and "a more muted current trading statement should not, therefore, be interpreted as a disappointment".

FT 30 INDEX

	Jul 7	Jul 4	Jul 3	Jul 2	Jul 1	Yr ago	*High	*Low
FT 30	3051.7	3050.5	3082.0	3056.6	3038.6	2746.3	3077.4	2868.8
Ord. div. yield	3.61	3.61	3.58	3.61	3.63	4.06	4.22	3.58
P/E ratio net	18.41	18.41	18.53	18.39	18.30	16.25	18.64	15.80
P/E ratio nil	18.22	18.22	18.34	18.20	18.12	16.15	18.46	15.71

FT 30 since compilation: high 3077.4 13/06/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3054.4	3030.7	3034.7	3037.2	3030.7	3032.4	3037.0	3047.7	3051.6	3054.9	3016.3

	Jul 7	Jul 4	Jul 3	Jul 2	Jul 1	Yr ago
SEAQ bargains	56,382	58,069	58,417	52,454	53,281	32,026
Equity turnover (£m)†	-	NA	2349.0	1583.5	1962.7	1389.1
Equity bargains†	-	NA	46,938	33,261	41,664	36,586
Shares traded (ml)†	-	NA	689.4	416.8	531.7	515.1

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	689	Total Highs	77	Total contracts	38,024
Total Falls	808	Total Lows	135	Calls	16,851
Same	1,569			Puts	21,173

Jul 7 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4831.0	4829.0	+6.0	4839.0	4785.0	9512	67627
Dec	4896.0	4894.0	+5.5	4886.0	4886.0	20	3464
Mar		4938.5	+5.5			0	1

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4490.0	4485.0	-35.0	4485.0	4480.0	50	7106

■ FTSE 100 INDEX OPTION (LIFFE) (*4814) £10 per full index point

	4650 C	4650 P	4700 C	4700 P	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P
Jul	[illegible]															
Aug	[illegible]															
Sep	[illegible]															
Oct	[illegible]															
Dec†			318	134			247½	182								

Calls 2,635 Puts 2,384

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4625		4675		4725		4775		4825		4875		4925		4975	
Jul	189	11½	149½	18½	108	30½	75½	47½	49	[illegible]						
Aug	226	45	189	58	155	73½	124	92	96½	[illegible]						
Sep	265½	64½	230	78	196	93½	164½	111½	136½	[illegible]						
Dec	359½	98½			292½	128½			233	[illegible]						
Mar†	423	123½			358½	152½			294½	[illegible]						

Calls 7,196 Puts 6,387 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	67.2	127½	124½	Ashtenne	126½		W5.0	1.8	4.9	14.2
§150	F.P.	30.5	152½	148½	AIT	150½		L1.38	3.9	1.1	28.3
3	F.P.	2.75	3¾	3¼	†Bakery Services	3¾		-	-	-	20.5
*	F.P.	1.98	26	24	†Euro Mining Fin	24½		-	-	-	-
§2.5	F.P.	3.00	3½	3	Grosmont Hldgs	3	-¼	-	-	-	-
§	F.P.	1.20	1	½	Grosmont Hld Wrt	1		-	-	-	-
§120	F.P.	10.3	127½	124½	†Highland Timber	124½		-	-	-	-
290	F.P.	6,282	357½	318½	Norwich Union	328	-6	L10.6	1.8	4.1	16.9
§185	F.P.	119.7	202½	195½	Powderject Pharm	202½		-	-	-	-
§	F.P.	14.1	140½	136½	Primesight	140	-½	-	-	-	14.0
100	F.P.	33.3	112½	98½	Reabourne Merlin	110½		-	-	-	-
§	F.P.	69.4	227	204½	Royalblue Grp	210	-1	1.5	2.8	0.9	53.3
§100	F.P.	7.99	120½	110½	†SBS Group	112½		L2.4	2.0	2.7	19.8
§150	F.P.	117.4	157½	156	SGB Group	156½	+½	L4.4	2.8	3.5	12.8
*	F.P.	5,344	373½	334	Woolwich	334		17.9	2.1	3.0	20.0

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
200	Nil	18/7	24½pm	7½pm	Benchmark Group	15½pm	-1
155	Nil	9/7	15½pm	1½pm	Century Inns	2pm	
2	Nil	21/7	1½pm	¼pm	Dragon Oil	1pm	-¼
20	Nil	28/7	27½pm	2¾pm	Mackie Intl	9pm	+1
17.5	Nil	22/7	1¼pm	¾pm	Marylebone Wrwk	¾pm	
1	Nil	15/7	½pm	¼pm	Millwall Hldgs	¼pm	
75	Nil	11/7	7½pm	5pm	Waterfall Hldgs	5½pm	

pm premium.

FTSE GOLD MINES INDEX

	Jul 4	% chg on day	Jul 3	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index† (31)	1335.44	-3.1	1378.81	2044.83	2.35	-	2130.03	1335.44
■ Regional Indices								
Africa (14)	1402.79	-3.2	1449.31	2777.31	6.27	22.49	2917.88	1402.79
Australasia (6)	1512.06	-5.0	1591.03	2311.84	3.40	17.16	2455.10	1512.06
North America (11)	1303.25	-2.8	1341.03	1801.31	0.80	67.76	1884.08	1303.25

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition. Market closed 4/7/97: USA.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 7	Day's chge%	Jul 4	Jul 3	Jul 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4810.7	.....	4812.8	4831.7	4751.4	3741.5	3.39	1.63	18.07	86.95	2052.64
FTSE 250	4426.9	-0.6	4453.0	4475.2	4471.3	4339.5	3.74	1.29	20.69	92.73	1851.93
FTSE 250 ex IT	4424.1	-0.6	4451.0	4476.5	4473.6	4379.8	3.80	1.32	19.51	95.57	1856.13
FTSE 350	2308.0	-0.1	2311.3	2320.9	2289.2	1881.8	3.46	1.56	18.51	42.64	2012.11
FTSE 350 ex IT	2308.4	-0.1	2311.8	2321.3	2289.1	-	3.48	1.57	18.28	10.96	1032.16
FTSE 350 Higher Yield	2259.1	-0.3	2265.2	2274.8	2235.3	1798.5	4.63	1.41	15.30	51.46	1669.49
FTSE 350 Lower Yield	2363.7	.....	2364.7	2374.2	2346.3	1971.7	2.47	1.80	22.49	33.88	1685.72
FTSE SmallCap	2224.38	-0.1	2226.62	2227.16	2226.86	2171.98	3.16	1.39	22.56	39.80	1690.94
FTSE SmallCap ex IT	2196.05	-0.1	2198.22	2199.38	2189.94	2175.36	3.44	1.46	18.89	42.80	1663.00
FTSE All-Share	2257.42	-0.1	2260.61	2269.36	2240.42	1864.78	3.44	1.55	18.73	41.91	1987.51
FTSE All-Share ex IT	2257.59	-0.1	2260.88	2269.73	2240.06	-	3.48	1.56	18.36	10.96	1027.57

■ FTSE Actuaries Industry Sectors

	Jul 7	Day's chge%	Jul 4	Jul 3	Jul 2	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4688.34	+0.6	4660.51	4699.79	4608.48	3535.60	3.26	1.81	19.08	65.78	2096.79
12 Extractive Industries(5)	4270.51	-1.8	4347.63	4352.56	4403.97	4196.53	3.69	1.91	14.23	104.80	1305.36
15 Oil, Integrated(3)	4925.91	+1.1	4874.73	4914.48	4797.59	3621.06	3.39	1.56	18.94	90.43	2267.07
16 Oil Exploration & Prod(12)	3770.86	-0.5	3790.79	3855.46	3793.63	2469.32	1.54	1.77	36.75	38.65	2310.57
20 GEN INDUSTRIALS(265)	1867.44	-0.3	1872.67	1886.16	1926.33	2016.24	4.30	1.52	15.34	40.37	1066.32
21 Building & Construction(35)	1355.39	-1.4	1374.75	1383.03	1359.71	1184.48	3.28	1.57	18.50	25.35	1178.21
22 Building Matls & Merchs(30)	1787.40	-0.6	1798.38	1821.22	1860.49	1892.64	4.52	2.26	9.82	41.89	944.74
23 to 105 (remaining sectors)	[illegible]										
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										
FTSE AIM	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]										
FTSE 250	[illegible]										
FTSE 350	[illegible]										
FTSE SmallCap	[illegible]										
FTSE All-Share	[illegible]										

[illegible]

 [illegible]

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i† ... (rows through Vodafone, Wolseley, Yorkshire Water, Zeneca)	[illegible]		

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

US INDICES

Dow Jones	Jul 3	Jul 2	Jul 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7895.81	7795.38	7722.33	7895.81 (3/7)	6391.69 (11/4)	7895.81 (3/7/97)	41.22 (8/7/32)
Home Bonds	103.47	103.23	103.08	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	34.99 (1/10/81)
Transport	2797.80	2787.86	2744.85	2797.80 (3/7)	2222.07 (8/11)	2797.80 (3/7/97)	13.23 (8/7/32)
Utilities	232.77	230.97	228.25	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7952.25 (7814.38) Low 7805.79 (7648.14) (Theoretical⊕)
Day's high 7896.26 (7736.38) Low 7796.87 (7697.45) (Actual⊕)

Standard and Poors	Jul 3	Jul 2	Jul 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	916.92	904.03	891.03	916.92 (3/7)	737.01 (2/1)	916.92 (3/7/97)	4.40 (1/6/32)
Industrials♥	1077.04	1062.44	1046.10	1077.04 (3/7)	865.42 (11/4)	1077.04 (3/7/97)	3.52 (30/6/32)
Financial	105.75	103.80	101.75	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/9/74)
NYSE Comp.	477.68	471.71	466.01	477.68 (3/7)	389.47 (11/4)	477.68 (3/7/97)	4.64 (25/4/42)
Amex Comp.	634.34	630.05	625.61	634.34 (3/7)	541.20 (28/4)	634.34 (3/7/97)	524.20 (16/7/96)
NASDAQ Cmp	1467.01	1455.61	1438.25	1467.01 (3/7)	1201.00 (2/4)	1467.01 (3/7/97)	54.87 (3/10/74)

■ RATIOS

	Jul 3	Jun 27	Jun 20	Year ago
Dow Jones Ind. Div. Yield	1.63	1.67	1.65	2.22
	Jul 2	Jun 25	Jun 18	Year ago
S & P Ind. Div. yield	1.56	1.62	1.59	1.87
S & P Ind. P/E ratio	24.75	24.35	24.27	22.29

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Office Dpt	6,594,500	16⅛	+⅛
Philip Morris	5,943,500	45⅞	+1⅞
LSI Logic	5,064,400	31⅞	+2⅛
Pharm Upjhn	3,719,300	37⅛	+1⅛
AT&T	3,669,600	36	—
PepsiCo	2,954,200	38⅞	+⅞
Banc One	2,953,900	49⅛	-¼
Boeing	2,905,800	55⅛	+⅞
Compaq	2,882,500	69⅞	+1⅛
Chase Man	2,639,400	103⅞	+3⅞

■ TRADING ACTIVITY

● Volume (million)

	Jul 3	Jul 2	Jul 1
New York SE	374.580	526.784	544.992
Amex	16.766	24.218	20.121
NASDAQ	376.459	631.492	594.705
NYSE			
Issues Traded	3,313	3,388	3,384
Rises	1,984	1,847	1,693
Falls	753	967	1,348
Unchanged	576	574	553
New Highs	544	385	265
New Lows	7	13	11

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	927.10	924.50	-	931.00	926.35	43,476	176,414
Dec	-	938.50	-	-	932.35	65	5,026

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	19930.0	19770.0	-140.0	19930.0	19710.0	21,515	167,246
Dec	19870.0	19770.0	-180.0	19870.0	19770.0	62	3,500

Open interest figures for previous day.

⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... high and lows are the averages of the highest and lowest prices reached during the day by each ... highs and lows represent the highest and lowest values that the index has reached during the day. (The ...) ♥ Subject to official recalculation.

NORTH AMERICA

CANADA

TORONTO (Jul 7 / Can $)

4 pm close

Prices supplied by Exel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $

♣ FT Free Annual Reports Service

You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8087, or fax your request to +1 804 320 8135 or order online at http://www.icbec.com/cgi-nav/ft. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

■ TOKYO - MOST ACTIVE STOCKS: Monday, July 7, 1997

	Stocks Traded	Closing Prices	Change on day
Aoki Corp	5.1m	107	-12
Sakai Heavy Ind	5.1m	727	+27
Nippon Steel Cp	5.0m	348	-5
NKK Corp	4.5m	230	-4
Fujitsu	3.9m	1520	-10
Nissan Motor	3.7m	847	+10
Sakura Bank	2.8m	805	-25
Tokyo Gas	2.8m	316	-2
Eisai	2.5m	2400	+50
Nomura Secs	2.5m	1460	-60

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 7

- A -

1987 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
33½	24¼	AAR	0.48	1.4	25	1035	u33⅞	33⅛	33 7/16	
44	33⅛	AMP	1.04	2.4	35	6172	u44 1/16	43 5/16	43 7/16	+¼
103¼	78¼	AMR			7	6010	96⅝	95¼	95¾	+½
37¾	30⅝	ASA	1.20	4.0	19	1109	30⅞	d29⅝	29¾	-1
68 13/16	49¼	AbbtL	1.08	1.6	20	6757	68½	67 1/16	67⅛	-1 3/16
18⅝	14⅛	AbtMM Pr	0.40	2.3	9	20	17¼	17⅜	17⅜	
20	17⅜	ABM Ind	0.40	2.0	18	181	19⅞	19 11/16	19⅞	+⅛
23	11⅛	Aceptacn			11	129	u23½	22⅞	23⅜	+7/16
77¾	58⅛	ACE Ltd x	0.88	1.1	12	1024	d77⅞	76 9/16	77 1/16	-5/16
10¾	10	ACM Gvt In x	0.06	8.6	11	134	10 7/16	10⅜	10 7/16	
7⅞	7	ACM GvOpp x	0.63	8.1		590	u7⅛	7 11/16	7¾	
9 13/16	6⅛	ACM Man ◆	0.80	0.1		225	u9 13/16	9⅝	9 13/16	
10⅞	6¼	Acme Elect				00	6 11/16	6½	6⅝	-¼
20	13	Acme Mtls				31	16⅝	16½	16½	-½
20	14	ACNielsen			36	4509	19⅝	19½	19⅞	+5/16
40⅛	27¼	Acordia	0.80	2.0	10	20	39⅞	39⅞	39⅞	
29¾	21⅛	Acuson				3354	22¼	21⅞	21 13/16	-¼
24	19⅜	Adams Expr	0.55	2.3	1	412	23⅞	23⅝	23¾	-¼
48½	24⅞	AdvMic				20522	38⅞	37⅛	37⅞	+2 1/16
27½	10⅜	Advest Grp x	0.12	0.5	17	398	23⅞	23⅛	23½	-⅛
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE PRICES

4 pm close July 7

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. pf-prefer. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended. 96 prices are subject to late updates.

FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-604-320-8087 or give the names of the companies whose reports you want and fax your request to (International Access) 1-604-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

AMEX PRICES

4 pm close July 7

NASDAQ NATIONAL MARKET

4 pm close July 7

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25		300	8.25	3.25	Lernout & Hauspie	US$29.125	+0.125	11565	29.375	25
Artwork Systems	US$10.125		48310	11.125	9.5	Mettler Int'l	US$9.625		0	11.75	8.125
Chemunex	FFr14.5	-0.5	19000	18	14	NTL	US$25.125		0	25.125	24.875
Dr Solomon's ADS	US$25.75	+0.25	4000	26.75	16.875	PixTech	US$3.875		0	6.125	3.875
Esprit Telecom ADS	US$7.875	-0.125	2540	12.25	5.375	Schoeller-Bleckmann	Sch995	+27	8700	1020	900
Innogenetics	US$11.375		14305	12.75	10.375						

Prices for 7/7/97. Please note that mid prices are now used to calculate highs and lows.
Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

Dow ahead modestly at midsession

AMERICAS

Wall Street gained modestly in late morning trade as the main indices refused to give ground following last week's peaks, *writes John Labate in New York.*

At midsession, the Dow Jones Industrial Average had risen 8.31 at 7,904.16. The broader Standard & Poor's 500 Composite was up 0.87 at 917.79.

Among the morning's blue-chip gainers were Travelers Group, up $1¼ to $68⅛, and Hewlett-Packard, up $11/16 at $57⅛. Also up strongly was Boeing, the aircraft manufacturer, which gained $11/16 at $55⅞.

Major losses were taken by Walt Disney, down $1⅝ to $76⅛, while American Express lost $3 to $79¼. General Motors slid $9/16 at $56⅛.

In other sectors, gold producers took a tumble as Newmont Mining lost $2⅜ or 6 per cent at $35⅝ and Barrick Gold slid $1⅝ or nearly 9 per cent to $20. Agricultural producer Archer-Daniels Midland lost $⅛ at $23¼.

Bank stocks were mostly down as State Street lost $⅝ at $50⅞ and Nationsbank $⅝ at $67½. BankAmerica fell $½ at $68⅞.

Tobacco stocks were mixed as Philip Morris lost $⅛ at $45¼ while RJR Nabisco gained $⅛ at $33⅝.

The telecommunications sector saw small gains. AT&T rose $⅜ at $36⅜ while rival MCI added $⅛ at $43¼. Among the Baby Bells, Bell Atlantic added $⅜ at $76¾ and Ameritech rose $⅝ at $70½.

Technology firms were higher as the Nasdaq composite index, which is heavily weighted in technology stocks, added 6.31 at 1,473.92. Among the biggest gainers were Compaq Computer, which gained $4 at $112⅝, and Intel, which added $1¼ at $130⅝. Networking leader Cisco Systems rose $2⅝ at $73⅝.

The Russell 500 Index of small-company stocks barely changed at 396.43.

TORONTO moved lower, pushed down by a further steep slide for gold shares. At the noon calculation, the 300 composite index was off 20.34 at 6,565.10.

Gold shares, which account for more than 8 per cent of the main index, retreated in the face of continuing weakness for the bullion price. Barrick Gold lost 90 cents to C$27.30 and Placer Dome 95 cents to C$19.50. Kinross Gold shed 50 cents to C$5.20.

The shakeout in golds unsettled the broad market. Alcan Aluminium added 60 cents to C$48.40 but most industrials ran up losses. Newbridge Networks came off 60 cents to C$64.50. Seagram shed 15 cents to C$55.45. Banks, a firm market lately, were dull. Royal Bank of Canada dipped 5 cents to C$65.50.

Mexico City 1% ahead

MEXICO CITY responded to favourable election comment and a sharp fall for local money market rates by surging strongly in early trading.

The IPC index, up 1.1 per cent in the first hour of trading, was 45.97 or 1 per cent higher at 4,690.57 at midsession. Leading blue-chip Telmex added 20 centavos to 20.10 pesos.

CARACAS, which reached record highs in the final three days of last week, continued to gain ground. At midsession, the IBC index was up 163.46 or 1.7 per cent at 9,630.89.

SANTIAGO also improved. Enersis added nearly 1 per cent at 310.50 pesos at midsession to help the IPSA index to a 0.38 gain at 137.62.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	+6.32	+4.55	+26.65	+20.76	+7.54	+6.07
Belgium	+2.98	+4.38	+39.30	+28.59	+14.43	+12.87
Denmark	+3.66	+4.58	+45.20	+26.85	+13.61	+12.06
Finland	+4.27	+9.99	+69.75	+35.93	+21.72	+20.06
France	+1.35	+7.13	+36.37	+25.03	+11.43	+9.90
Germany	+3.55	+6.01	+49.16	+33.83	+19.22	+17.59
Ireland	+2.35	+2.60	+34.39	+22.30	+11.28	+9.76
Italy	+1.04	+11.23	+31.85	+31.39	+18.68	+17.07
Netherlands	+5.19	+12.35	+62.20	+42.29	+26.42	+24.69
Norway	+3.98	+5.76	+42.98	+25.64	+11.38	+9.86
Spain	+3.69	+8.40	+72.98	+41.62	+25.99	+24.27
Sweden	+2.24	+8.09	+61.94	+33.12	+19.30	+17.67
Switzerland	+2.30	+9.44	+52.37	+46.75	+36.24	+34.37
UK	+3.17	+3.10	+23.96	+14.01	+14.01	+12.45
EUROPE	+2.98	+6.32	+39.26	+26.81	+18.35	+16.74
Australia	+1.20	+5.72	+27.14	+15.35	+10.25	+8.75
Hong Kong	-3.44	-0.12	+19.75	+2.87	+4.20	+2.77
Indonesia	+2.74	+5.34	+25.45	+14.51	+12.81	+11.27
Japan	-2.09	+0.75	-8.39	+3.85	+7.55	+6.08
Malaysia	+0.73	-4.64	-7.78	-15.47	-14.26	-15.44
New Zealand	+4.32	+7.19	+16.79	+6.61	+6.58	+5.12
Philippines	-2.42	-0.23	-24.31	-18.80	-17.98	-19.10
Singapore	+3.06	-0.04	-3.49	-4.32	-5.54	-6.83
Thailand	+30.22	+34.19	-54.78	-19.13	-26.88	-27.68
Canada	+2.98	+2.20	+34.47	+13.72	+15.02	+13.44
USA	+3.17	+6.68	+35.57	+22.85	+24.55	+22.85
Brazil	+5.65	+18.16	+81.05	+73.30	+69.44	+67.13
Mexico	+2.87	+10.68	+41.02	+36.22	+36.53	+34.66
South Africa	+-1.01	+0.23	+3.14	+9.33	+14.52	+12.95
WORLD INDEX	+2.03	+5.23	+25.27	+19.09	+18.42	+16.81

† Based on July 4th 1997.

Dax pushes through 4,000 barrier

EUROPE

Gains in the domestic bond market and the early advance on Wall Street provided the impetus to take FRANKFURT's Dax index through the 4,000-point barrier for the first time.

The Ibis-indicated Dax, reflecting electronic post bourse trade, jumped 56.62 or 1.4 per cent to a record close of 4,003.35.

Metro jumped DM10.85 to DM207.80 as the retail group and its majority shareholder, Metro Holding, said they were in talks with the Dutch retailer, SHV Holdings, about taking over its cash and carry business across Europe.

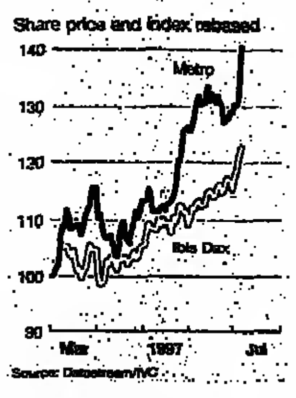
ProSieben Media got off to a good start on its first day of trade but analysts cautioned that the stock looked expensive at current levels, and the company's prospects in an ever-changing media environment were far from certain.

ProSieben shares finished at DM95, up from the issue price of DM72. Some analysts, however, expressed surprise that the shares finished the first session below DM100, as unofficial grey market trade had indicated prices in the DM100-DM110 range.

News that second-quarter earnings and sales of the software maker, SAP, were forecast to repeat the strong first-quarter growth sent the shares DM17.50 higher to DM396.

Metro

Share price and index rebased



Source: Datastream/ICV

Merger speculation continued in the insurance sector. Munich Re's climbed DM140 to DM5,540 while Allianz rose DM14.50 to DM410.

AMSTERDAM hit a record high for the fourth session running, helped by firmer bonds and a push from the derivative markets.

Volume was fairly moderate and much of the day's advance was said to be technical as options traders, caught off balance by Friday's strong cash market, scrambled to cover positions. The AEX closed 11.66 higher at 918.85.

ABN Amro continued to power ahead even though the bank denied rumours of a 30 per cent improvement in first-half profits. ABN, due to unveil its interims early next month, jumped FL 1.40 to Fl 40.8 in 12.1m shares.

KLM rebounded from Friday's weak patch, adding Fl 2.50 or 3.8 per cent at Fl 68.50 after news of strong traffic figures for June and the consolidation of its shareholding in Air UK, plus confirmation of code sharing talks with Italian airline, Alitalia.

Positive analysts' reaction to the recent stream of news from DSM sent the shares up Fl 4.50 to Fl 209.5. Last week the group announced a new fine chemicals plant in Austria, a resins joint venture in Poland and an Indian drugs deal. Akzo Nobel added Fl 5.80 to Fl 277.5.

Oce advanced Fl 6.50 to Fl 264.4 for a two-day gain of almost 3 per cent following last week's better-than-expected results statement from the copier group.

ZURICH pressed ahead, extending its record run with the aid of strong foreign demand, particularly for banks as expectations grew for a strong set of first half figures. The sector was also a beneficiary of a rumour that a US broker had recommended a switch from German to Swiss banks.

The SMI index picked up 100.5 at 5,947.0.

Among the banks, CS group rose SFr6.50 at SFr203.50, SBC jumped SFr21 to SFr429 and UBS was SFr26 higher at SFr1,729.

Leading pharmaceuticals also rose strongly. Roche certificates jumped SFr355 to SFr14,005 and Novartis was SFr30 higher at SFr2,500. Elsewhere among the blue chips, Nestlé, a strong beneficiary of the firmer dollar during the first half of the year, rose SFr22 to SFr2,082.

Alusuisse tumbled SFr30 to SFr1,445, dogged by its failure to announce a widely expected spin-off last Friday. James Capel, which downgraded the stock to a sell, said the shares looked expensive relative to their peer group.

PARIS ticked over in thin volume for most of the session before a late rally lifted the CAC 40 by 13.18 to 2,947.66, a record high. Trading volume was minimal at 6.9m shares.

To most dealers it was an uneventful start to the holiday season. "We've put on more than 8 per cent over the past two weeks. There has been no real weight of buying today. Some sort of pause makes sense," said one broker.

Insurance shares provided a rare feature with AGF advancing FFr6 or 3.1 per cent to FFr198 and Axa-UAP, which last week announced a radical consolidation for its life operations, ending FFr3.40 higher at FFr371.50.

Banks were mixed, although Bancaire gained FFr5 to FFr779.

Eurotunnel shares were 40 centimes higher at FFr8.20 ahead of Thursday's shareholder meeting to approve the group's latest restructuring plan.

ATHENS jumped 2.2 per cent but in subdued volume as selling pressure eased and selective demand gained the upper band. The general index rose 33.46 to 1,547.64 as banks and industrials each added 2.5 per cent.

Analysts said there was no particular reason for the cumulative rise of around 4 per cent over the last two sessions since the news hitting the market on the economic and corporate front was fully expected.

ISTANBUL closed at another record high as investors looked ahead to Saturday's confidence vote in parliament which the new pro-secular government is expected to win. The IMKB National-100 index rose 35 to 1,953.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Jul 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2618.66	2620.74	2621.73	2626.29	2629.23	2632.40	2634.93	2637.25
FTSE Eurotrack 200	2603.82	2603.11	2609.42	2605.02	2608.39	2612.85	2616.31	2618.85

	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30
FTSE Eurotrack 100	2618.41	2563.64	2565.82	2537.55	2532.09
FTSE Eurotrack 200	2614.16	2596.80	2549.31	2523.07	2508.67

Base value 1000 (26/10/90); High/day: 100 - 2637.25; 200 - 2618.85 Low/day: 100 - 2618.66 200 - 2600.95. † Partial.

S Africa golds fall sharply

Bullion price woes cast a deep shadow over Johannesburg yesterday, sending gold shares tumbling and pushing the all-share index down 74.8 to 7,293.2.

Volume was on the thin side at 570m shares, but there was no denying the breadth of the trend line which was firmly on the downside across the market as a whole.

Industrials fell 58.9 to 8,743.0 and the golds index tumbled 48.2 or 5.1 per cent to 903.9 as bullion fell to a fresh 12-year low. Gold shares are now more than 40 per cent below their peaks of late February.

Sentiment in golds was further unhinged by news of a mine closure at Randgold plus confirmation that the group was rethinking the terms of its three-way mines merger. Randgold ended R3.05 lower at R16.90 while Vaal Reef dropped R13 to R208.

Bullion broke down through the $318 barrier and some local chartists have begun to pinpoint $300 as the next support level. The latest shakeout follows heavy gold sales by the Australian central bank.

One of the day's firmer features was provided by Baobab, the aggressive financial group, which jumped R6 to R62 after raising its stake in Theta Securities.

Bad debt scares keep the pressure on Tokyo

ASIA PACIFIC

Tokyo fell for the third straight session as the weaker dollar hit leading exporters and as construction stocks continued to suffer from the bankruptcy at general contractor Tokai Kogyo, *writes Gwen Robinson.*

The Nikkei 225 average fell 262.83 to 19,705.17 after moving between 19,678.27 and 19,931.89.

Traders said the market was ready for a rebound after losing more than 500 points in three days. However, with many foreign investors taking a summer break, any upturn was likely to be limited.

In addition, Friday's collapse of Tokai Kogyo and the unexpectedly large scale of its bad debts have reminded investors of the persistent financial problems dogging many companies linked to the speculative "bubble economy" era.

Volume shrank from Friday's 300m shares to an estimated 267m. Declines overwhelmed advances 878 to 207 with 146 unchanged. The Topix index of all first-section stocks fell 18.07 to 1,497.10 and the capital-weighted Nikkei 300 was down 3.84 at 289.71.

In London, the ISE-Nikkei 50 index rose 2.51 to 1,580.53.

Investors dumped stocks of companies affected by bad loans, including general contractors and banks. Aoki, a medium-sized contractor, was the day's most active issue, falling Y12 to Y107 on growing concerns about its ability to repay debts in spite of the company's statement that it was proceeding with restructuring.

Among other second-tier contractors, Daisue Construction fell Y24 to Y158 and Tada Y25 to Y184. Banks fell nearly 2 per cent as a group on bad debt concerns, regardless of Friday's announcement by the finance ministry that banks' problem loans had diminished moderately.

Analysts said the market had taken the Tokai Kogyo case as a warning that many more bad debts had not yet surfaced. Fuji Bank fell Y50 to Y1,560, Sumitomo Bank Y50 to Y1,770 and Dai-Ichi Kangyo Y50 to Y1,450.

Blue-chip exporters were mixed on currency uncertainties. Honda slid Y110 to Y3,220, Toyota Y90 to Y3,190 and TDK Y40 to Y8,400. Nissan, however, rose Y10 to Y847 and Hitachi gained Y10 to Y1,270. In Osaka, the OSE average slid 224.35 to 20,733.41 in volume of 15m shares.

BANGKOK, up 24.6 per cent in the three previous sessions, ran into profit-taking and the SET index fell 24.06 or 3.7 per cent to 633.03 in heavy Bt10bn turnover. "This sort of thing was always on the cards. We needed to be checked," said one broker. Worries about foreign exchange losses seemed to spark the selling.

Since last week's effective devaluation of the baht, there has been something of a stampede into Thai equities. Foreign funds have been very active.

TAIWAN pushed up to another seven-year high following heavy buying of electronic and construction shares. The weighted index closed 64.21 higher at 9,322.64 in active T$180bn turnover. United Microelectronics jumped T$4.00 to T$124.5 and Winbond rose by the daily 7 per cent limit, adding T$3.50 to T$58.5.

SYDNEY closed lower after another shakeout for golds. The All Ordinaries index fell 20.4 to 2,713.0 and the golds index ended 93.7 or 6.84 per cent lower at 1,275.5.

Golds have lost more than 10 per cent since Friday when the central bank disclosed heavy sales of gold reserves and sent the bullion price plunging to its lowest level for 12 years.

HONG KONG made modest gains as HSBC Holdings powered ahead to a record high, but property market uncertainty returned to plague sentiment. The Hang Seng index closed 35.61 higher at 14,858.58, off a high of 15,003.02, in turnover of HK$20bn.

Analysts said that while property stocks had attempted a rebound, they were unable to sustain gains and more weakness lay ahead until the government made its property policy clear.

Sun Hung Kai Properties lost 50 cents at HK$85.75 and Cheung Kong was flat at HK$71.75. HSBC roared ahead to hit an all-time high of HK$247 before closing up HK$4 at HK$245 as talk of a covered warrant issue helped the price. Mainland Chinese markets were sharply lower as investors returned to reality after the excitement of the Hong Kong handover.

SHENZHEN's hard currency B index of shares, technically reserved for foreign investors, plunged 7.7 or 5.7 per cent to 127.69. Its counterpart in SHANGHAI lost 2.080 or 2.7 per cent to 74.145. Last Friday, China's market regulators reaffirmed their goal of purging the B market of domestic investors. The domestic currency A indices took a heavier pounding. Shenzhen's A index lost 8.1 per cent and Shanghai's A shares fell 5.5 per cent.

KUALA LUMPUR dropped 1.2 per cent as investors were unnerved by regional developments including the devaluation of the Thai baht and fighting between rival army factions in Phnom Penh. The composite index lost 12.78 to 1,060.53, as investors retreated to safe haven markets in the region.

SINGAPORE was a beneficiary of the switching and the Straits Times Industrial index finished up 12.05 to 1,997.99.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JULY 4 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JULY 3 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	241.31	-1.1	211.97	173.34	220.03	214.33	-0.3	3.59	243.87	214.73	175.05	221.74	215.06	243.87	189.44	196.81
Austria (25)	201.44	0.1	176.95	144.70	183.68	183.56	0.4	1.79	201.25	177.20	144.45	182.99	182.88	201.44	174.70	183.07
Belgium (29)	256.99	-0.9	225.74	184.60	234.33	229.35	-0.6	2.98	259.25	228.27	186.09	235.73	230.78	259.25	206.70	212.82
Brazil (30)	315.99	1.7	278.46	227.71	289.04	628.71	1.8	1.16	311.60	274.37	223.66	283.33	617.90	316.99	170.26	187.75
Canada (127)	215.36	-0.1	189.19	154.70	196.38	214.29	0.0	1.70	215.49	189.74	154.68	195.94	214.33	215.49	164.12	161.88
Denmark (32)	394.40	1.1	346.45	283.31	359.62	358.19	1.4	1.43	390.22	343.59	280.10	354.82	353.43	394.40	303.10	309.01
Finland (28)	294.91	1.0	259.05	211.84	268.90	322.96	1.2	1.70	292.06	257.16	209.64	265.57	319.03	294.91	186.67	184.63
France (84)	235.27	-0.3	206.67	169.01	214.53	219.27	0.0	2.40	235.93	207.74	168.35	214.53	218.22	237.50	186.94	198.11
Germany (59)	223.41	1.1	196.25	160.48	203.71	203.71	1.4	1.39	221.02	194.61	158.64	200.97	200.97	223.41	168.70	172.43
Hong Kong (66)	521.11	-2.1	457.75	374.33	475.15	518.00	-2.1	2.92	532.12	468.53	381.95	483.85	529.01	539.63	407.55	435.26
Indonesia (27)	253.90	0.3	223.03	182.38	231.51	378.72	0.3	1.71	253.09	222.85	181.67	230.13	377.52	253.90	183.62	210.08
Ireland (17)	360.94	-0.4	317.06	259.27	329.11	334.60	0.4	2.97	362.35	319.05	260.09	329.48	333.55	362.35	270.08	282.82
Italy (56)	97.74	-0.2	85.85	70.21	89.12	124.57	0.0	1.98	97.90	86.20	70.27	89.02	124.53	98.92	73.26	82.74
Japan (485)	136.92	-0.9	120.27	99.35	124.84	98.35	-0.8	0.80	138.11	121.61	99.14	125.58	99.14	153.87	107.57	153.87
Malaysia (107)	510.10	-0.6	448.09	366.42	465.13	495.96	-0.4	1.38	512.93	451.94	368.16	466.40	497.98	660.85	506.78	560.66
Mexico (27)	1642.82	0.8	1442.92	1179.95	1497.79	14301.20	1.0	1.30	1639.11	1494.44	1163.37	1481.32	14162.23	1842.82	1110.35	1218.96
Netherland (19)	418.16	0.7	366.20	301.09	382.20	377.82	1.0	2.06	416.20	366.47	298.75	378.45	373.98	419.18	279.88	286.45
New Zealand (14)	96.47	0.5	84.74	69.30	87.96	75.60	0.5	3.84	96.00	84.53	68.91	87.29	75.21	96.47	79.04	91.54
Norway (41)	324.69	0.4	285.22	233.23	296.06	322.34	0.7	1.91	323.37	284.73	232.11	294.03	320.13	324.69	246.04	255.65
Philippines (22)	164.73	1.3	144.71	118.33	150.21	216.73	1.3	0.96	162.61	143.18	116.72	147.86	213.98	219.41	148.37	219.23
Singapore (42)	391.18	1.2	343.60	280.98	356.67	258.94	1.6	1.18	386.34	340.17	277.31	351.29	254.82	448.01	360.08	412.48
South Africa (44)	359.67	-0.6	315.95	258.58	327.96	355.92	-0.5	2.43	361.72	318.50	259.84	328.90	357.75	370.12	301.49	363.97
Spain (33)	273.14	-0.3	239.93	196.20	249.06	306.73	0.0	2.16	274.06	241.31	196.72	249.16	306.73	274.06	171.81	182.87
Sweden (49)	496.43	0.8	436.08	356.60	452.66	567.71	0.7	1.82	492.65	433.78	353.82	447.96	563.72	496.43	334.35	356.11
Switzerland (33)	320.56	0.6	281.59	230.27	292.30	291.45	0.7	1.15	318.68	280.60	228.74	289.77	289.54	320.56	231.69	245.86
Thailand (42)	69.09	0.5	60.69	49.63	63.00	77.09	1.6	4.01	68.73	60.52	49.33	62.50	75.89	172.92	47.55	172.92
United Kingdom (213)	318.42	-0.2	279.71	228.73	290.34	279.71	-0.5	3.59	318.10	280.97	229.05	290.15	280.97	319.10	229.63	237.48
USA (644)	370.81	0.0	325.73	266.36	338.11	370.81	0.0	1.65	370.81	326.50	266.16	337.17	370.81	370.81	254.79	273.52
Americas (828)	339.53	0.0	298.25	243.90	309.59	285.90	0.0	1.65	339.43	298.97	243.84	308.64	285.80	339.53	233.09	249.99
Europe (718)	278.76	0.2	245.75	200.36	255.10	259.28	0.2	2.47	279.28	245.91	200.47	253.95	258.69	278.76	204.71	213.30
Nordic (150)	421.88	0.8	370.59	303.05	384.68	420.01	0.8	1.75	418.51	368.50	300.40	380.54	416.37	421.88	291.45	306.47
Pacific Basin (881)	155.26	-0.9	136.38	111.53	141.57	112.96	-0.8	1.26	156.70	137.97	112.48	142.48	113.87	166.97	127.18	166.97
Euro-Pacific (1599)	207.23	-0.3	182.04	148.86	188.96	168.02	-0.2	1.94	207.67	183.03	149.21	189.01	168.39	207.87	173.55	186.16
North America (771)	361.18	-0.0	317.28	259.45	329.34	360.36	-0.0	1.66	361.20	318.04	259.27	328.43	360.37	361.20	246.65	266.60
Europe Ex. UK (505)	252.47	0.4	221.77	181.36	230.21	241.46	0.8	1.84	251.49	221.43	180.51	228.67	239.98	252.47	185.95	194.85
Pacific Ex. Japan (396)	314.05	-1.1	275.87	225.59	286.36	276.85	-0.8	2.70	317.48	279.54	227.88	288.68	279.17	320.65	268.97	288.27
World Ex. US (1827)	211.13	-0.3	185.46	151.66	192.51	175.01	-0.2	1.92	211.68	186.39	151.94	192.48	175.32	211.68	178.94	187.57
World Ex. UK (2258)	256.56	-0.1	225.37	184.30	233.94	226.18	-0.1	1.60	256.90	226.20	184.40	233.60	226.29	256.90	199.58	211.82
World Ex. Japan (1986)	325.93	0.0	286.30	234.12	297.19	315.23	0.0	1.99	325.32	286.97	233.94	296.35	315.11	325.93	233.10	247.23
The World Index (2471)	261.89	-0.1	230.05	188.12	238.80	231.23	-0.1	1.80	262.25	230.92	188.24	238.48	231.45	262.25	202.32	214.12

 Latest prices were unavailable for this edition. Market closed 4/7/97: USA.